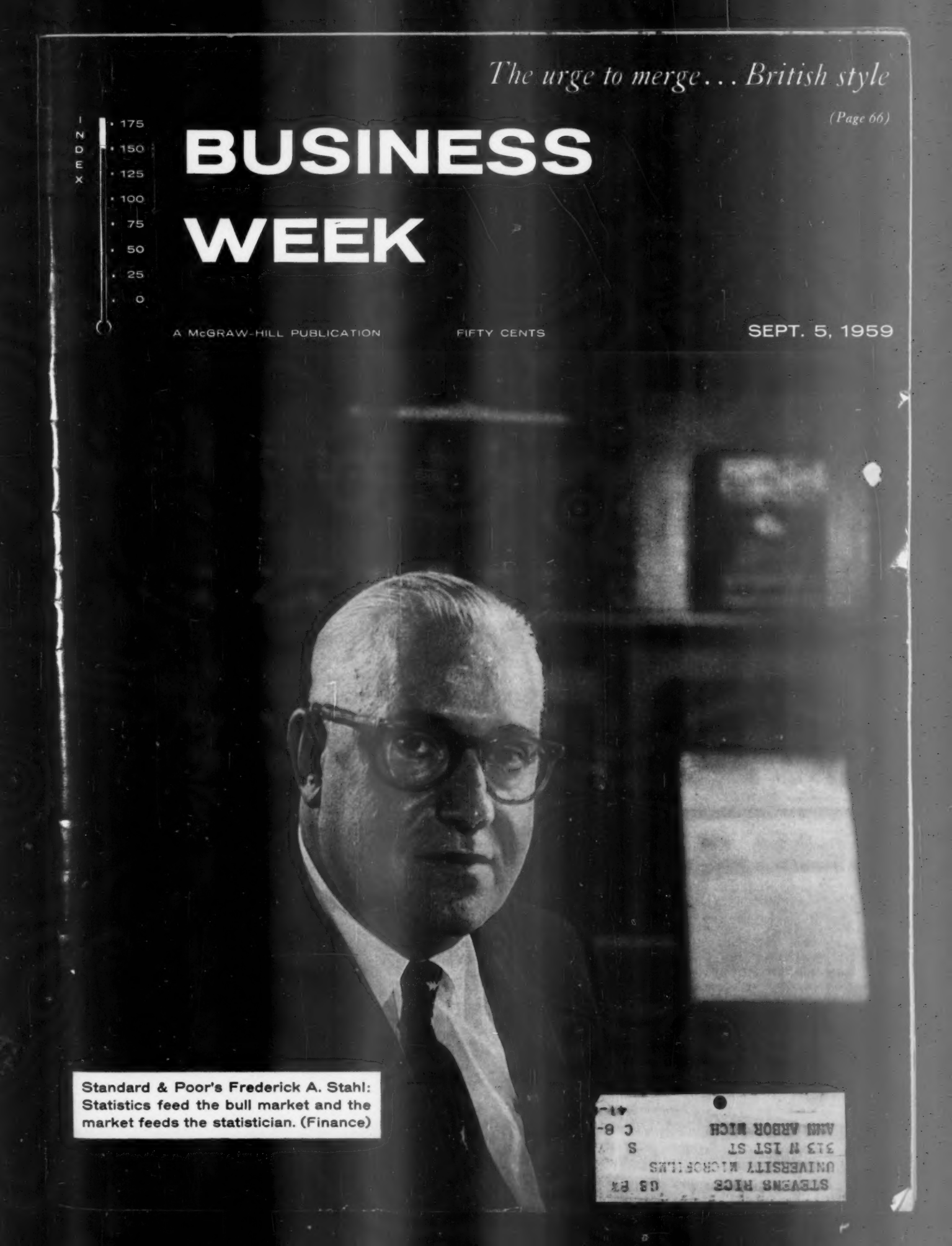
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BUSINESS WEEK

A McGRAW-HILL PUBLICATION FIFTY CENTS SEPT. 5, 1959



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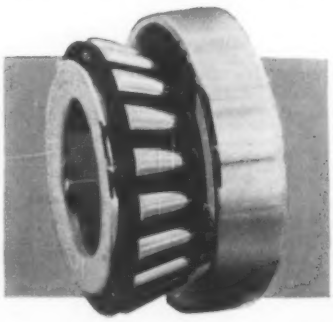


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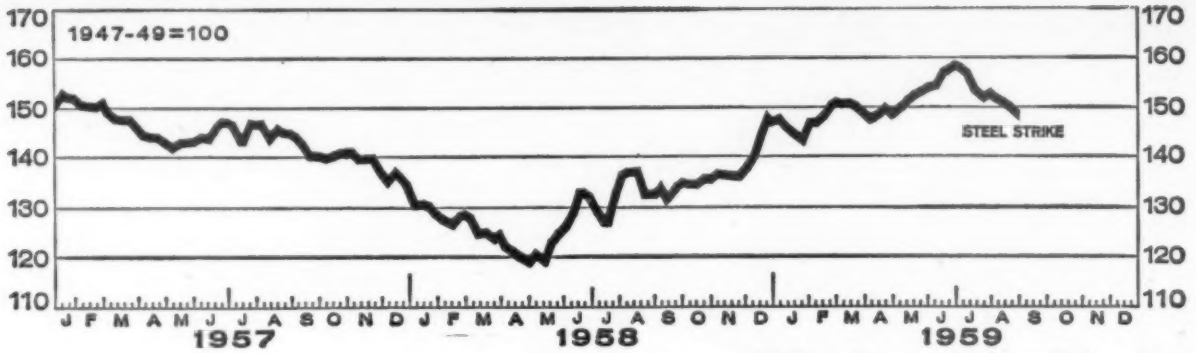
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NUMBER 1566

FIGURES of the WEEK



	1953-55 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
BUSINESS WEEK INDEX (chart)	**133.3**	**133.2**	**153.5**	**†150.9**	***149.3**
PRODUCTION					
Steel ingot (thous. of tons)	2,032	1,666	318	†332	**345**
Automobiles and trucks	132,806	28,406	146,076	†49,546	**34,472**
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.)	$52,412	$60,526	$76,729	$62,291	**$65,558**
Electric power (millions of kilowatt-hours)	10,819	12,272	13,775	14,003	**14,109**
Crude oil and condensate (daily av., thous. of bbls.)	6,536	6,863	6,808	6,817	**6,821**
Bituminous coal (daily av., thous. of tons)	1,455	1,380	1,214	†1,204	**1,183**
Paperboard (tons)	247,488	307,590	331,482	320,743	**323,961**
TRADE					
Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars)	70	60	54	55	**55**
Carloadings: all others (daily av., thous. of cars)	47	46	36	35	**35**
Department store sales index (1947-49 = 100, not seasonally adjusted)	121	134	117	132	**132**
Business failures (Dun & Bradstreet, number)	198	246	252	263	**257**
PRICES					
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100)	412.8	393.0	382.9	385.3	**384.9**
Industrial raw materials, daily index (BLS, 1947-49 = 100)	89.2	85.9	92.2	92.9	**93.1**
Foodstuffs, daily index (BLS, 1947-49 = 100)	90.5	86.8	79.2	78.7	**78.5**
Print cloth (spot and nearby, yd.)	19.8¢	17.7¢	19.5¢	19.5¢	**19.5¢**
Finished steel, index (BLS, 1947-49 = 100)	143.9	186.5	186.7	186.7	**186.7**
Scrap steel composite (Iron Age, ton)	$36.10	$42.83	$39.83	$40.17	**$41.17**
Copper (electrolytic, delivered price, E & MJ, lb.)	32.394¢	26.500¢	29.960¢	30.430¢	**31.585¢**
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	$2.34	$1.94	$1.97	$2.00	**$1.99**
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	34.57¢	34.76¢	32.50¢	31.82¢	**31.83¢**
Wool tops (Boston, lb.)	$1.96	$1.65	$1.90	$1.97	**$1.94**
FINANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	31.64	47.90	60.53	59.03	**59.30**
Medium grade corporate bond yield (Baa issues, Moody's)	3.59%	4.78%	5.07%	5.11%	**5.12%**
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	2–2⅛%	2⅝%	4%	4%	**4⅛%**
BANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	N.A.	59,953	62,214	60,090	**60,776**
Total loans and investments, reporting member banks	N.A.	N.A.	104,187	104,025	**103,876**
Commercial and agricultural loans, reporting member banks	N.A.	N.A.	29,492	29,839	**29,935**
U. S. gov't guaranteed obligations held, reporting member banks	N.A.	35,584	30,242	29,448	**29,267**
Total federal reserve credit outstanding	26,424	26,417	28,374	28,562	**28,485**

MONTHLY FIGURES OF THE WEEK		1953-55 Average	Year Ago	Month Ago	Latest Month
Private expenditures for new construction (in millions)	**August**	$2,390	$3,126	$3,586	**$3,592**
Public expenditures for new construction (in millions)	**August**	$980	$1,540	$1,626	**$1,692**
Consumer credit outstanding (in billions)	**July**	$34.1	$42.9	$46.7	**$47.3**
Installment credit outstanding (in billions)	**July**	$25.2	$33.1	$35.8	**$36.4**
Manufacturers' inventories (seasonally adjusted, in billions)	**July**	$45.2	$49.8	$52.1	**$52.2**
Exports (in millions)	**July**	$1,290	$1,416	$1,426	**$1,469**
Imports (in millions)	**July**	$902	$1,049	$1,369	**$1,248**

* *Preliminary, week ended August 29, 1959.*
† *Revised.*

§ *Date for 'Latest Week' on each series on request. N. A. Not available. Series revised.*

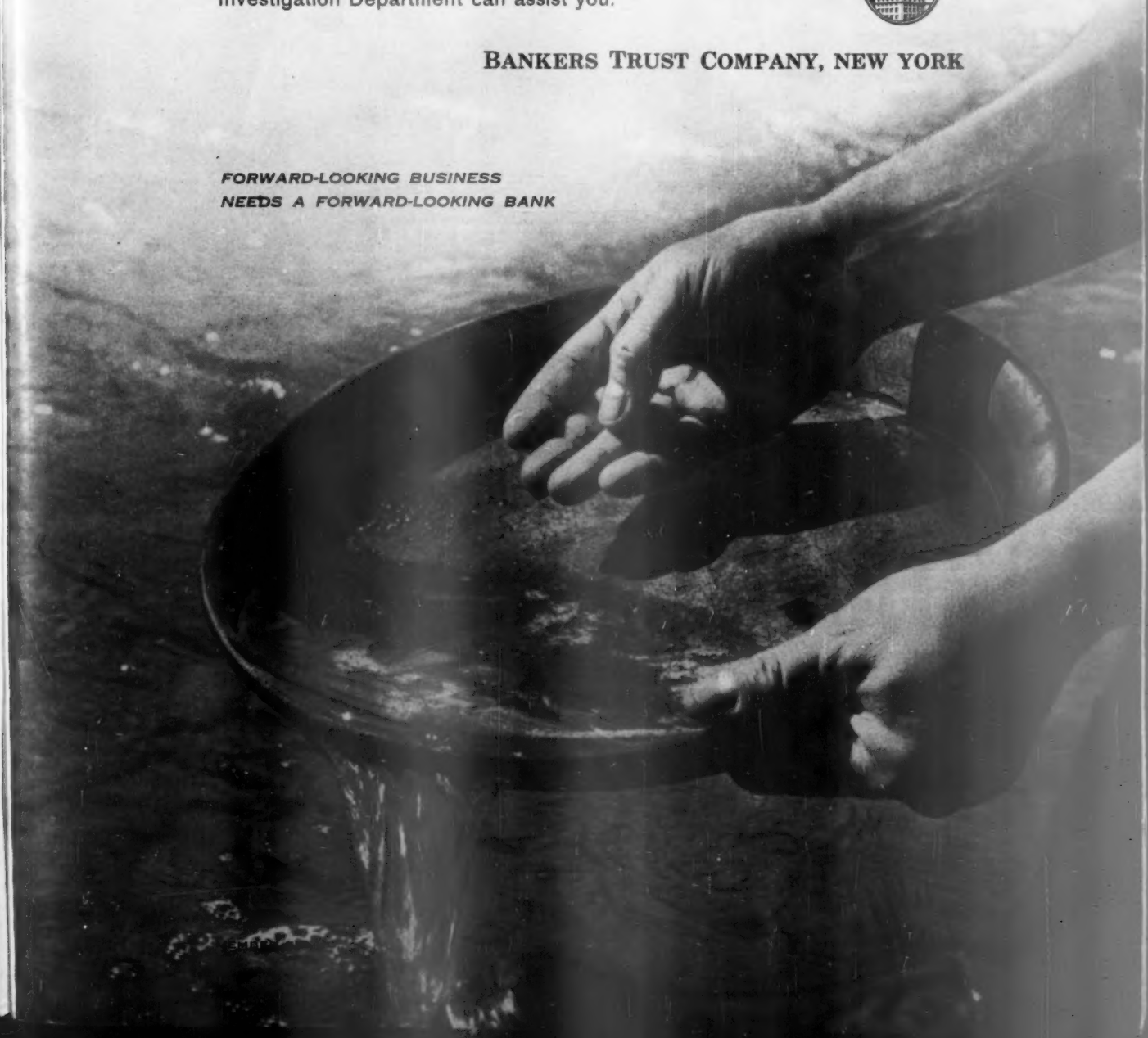
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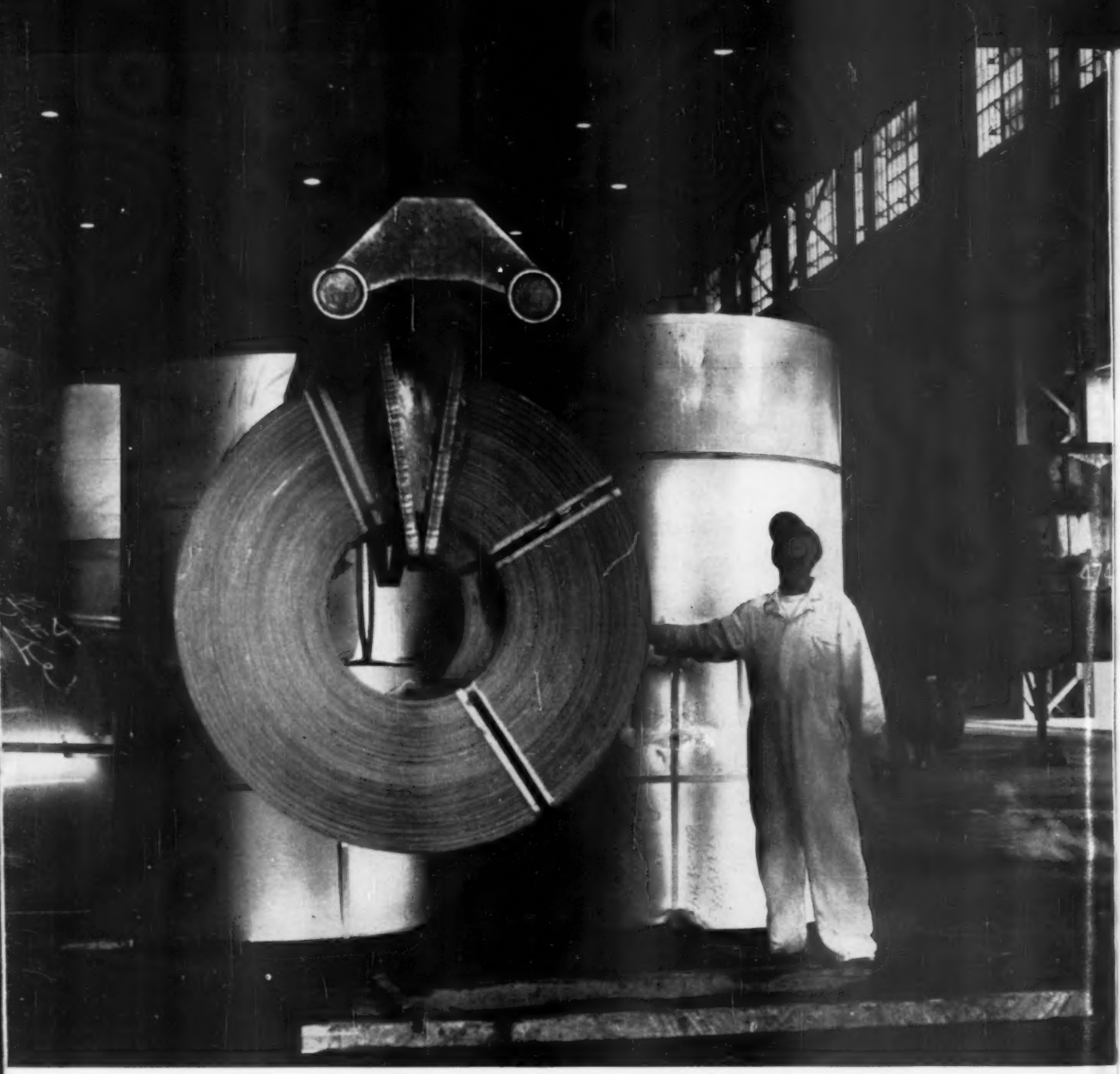
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READERS REPORT

Fight Over the Fed

Dear Sir:

I read the editorial More Flexibility in Debt Management [BW—Jul.18'59,p128] with great disappointment. The disappointment does not stem from a difference of opinion as much as the misstatement of the case. The editorial says, "This amendment has alarmed many . . . supporters of the Fed, who have interpreted it as an all-out attack on the independence of the central bank." I think an accurate statement would be that they have interpreted the amendment as the beginning of an all-out attack. Your statement "There is nothing in the amendment itself to support such an extreme view," merely demolishes the straw man you built.

I can assure you there is plenty "to support such an extreme view" in the amendment as originally proposed by Congressman Reuss backed as it is by his speeches and those of Congressman Patman and others of the group of some 60 Democrat congressmen on the floor of the House the past few months.

The second serious misstatement is this. "The Democratic majority in Congress is not in sympathy with any move toward higher interest rates; . . ." The Administration proposal is not a move toward higher interest rates. It is a proposal to keep interest rates down. If the ceiling on long term bonds is not taken off, the financing must be done through securities under five years' maturity where there is no interest ceiling. Already the government is paying more than 4¼ per cent on short term issues.

By this erroneous statement, your editorial assists these Kyserling Democrats in further selling their false theory that they are opposing the high interest rates they say this Administration and the Federal Reserve have created. It is all right to state this to be their theory, but certainly it should not be stated as a fact that is undisputed. That is, unless the editorial was written to further the Kyserling fallacy and the attack on the Fed and the Eisenhower Administration.

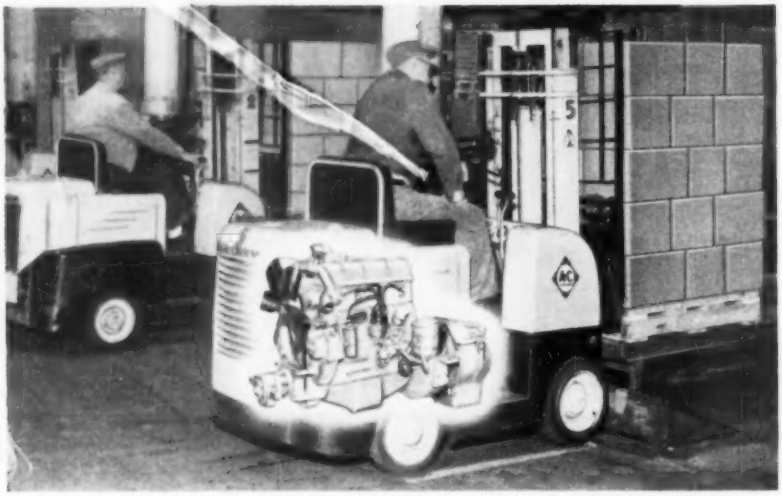
THOMAS B. CURTIS
HOUSE OF REPRESENTATIVES,
2ND DIST., MISSOURI
CONGRESS OF THE UNITED STATES
WASHINGTON, D. C.

• As far as we can see, there are no misstatements in the editorial. But

It's a fact...

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there does seem to be a very clear difference of opinion. The fact that Representative Curtis interprets the controversial amendment "as the beginning of an all-out attack" on the Fed does not mean that the amendment itself is unsound or that its adoption would cripple the Federal Reserve.

If such an attack should develop, it can be dealt with when it materializes. Meanwhile, such able students of central banking as Allan Sproul and Alfred Hayes have advocated abandonment of the "bills only" policy of the Fed and greater recognition of the obligation of the central bank to cooperate with the Treasury in the management of the national debt. These men are not left-wing Democrats.

Perhaps we are being a bit literal-minded in interpretation of Representative Curtis' second point, but we find it hard to regard a proposal to raise the ceiling on the rate the government can pay as anything but a move toward higher interest rates. Such a move may or may not be wise, but we think we are correct in saying that the Democratic majority is inclined to oppose it.

We have no intention of giving aid and comfort to any partisan attack on the Administration. We do not propose, however, to support an unsound policy purely on faith. Central banking and debt management are complex and subtle arts. In this case, it is most unfortunate that all the complexities and subtleties are being obscured by the heated debate. As a result, we are afraid that the Fed is in danger of suffering more harm from the misdirected efforts of its overeager friends than from the hands of its enemies.

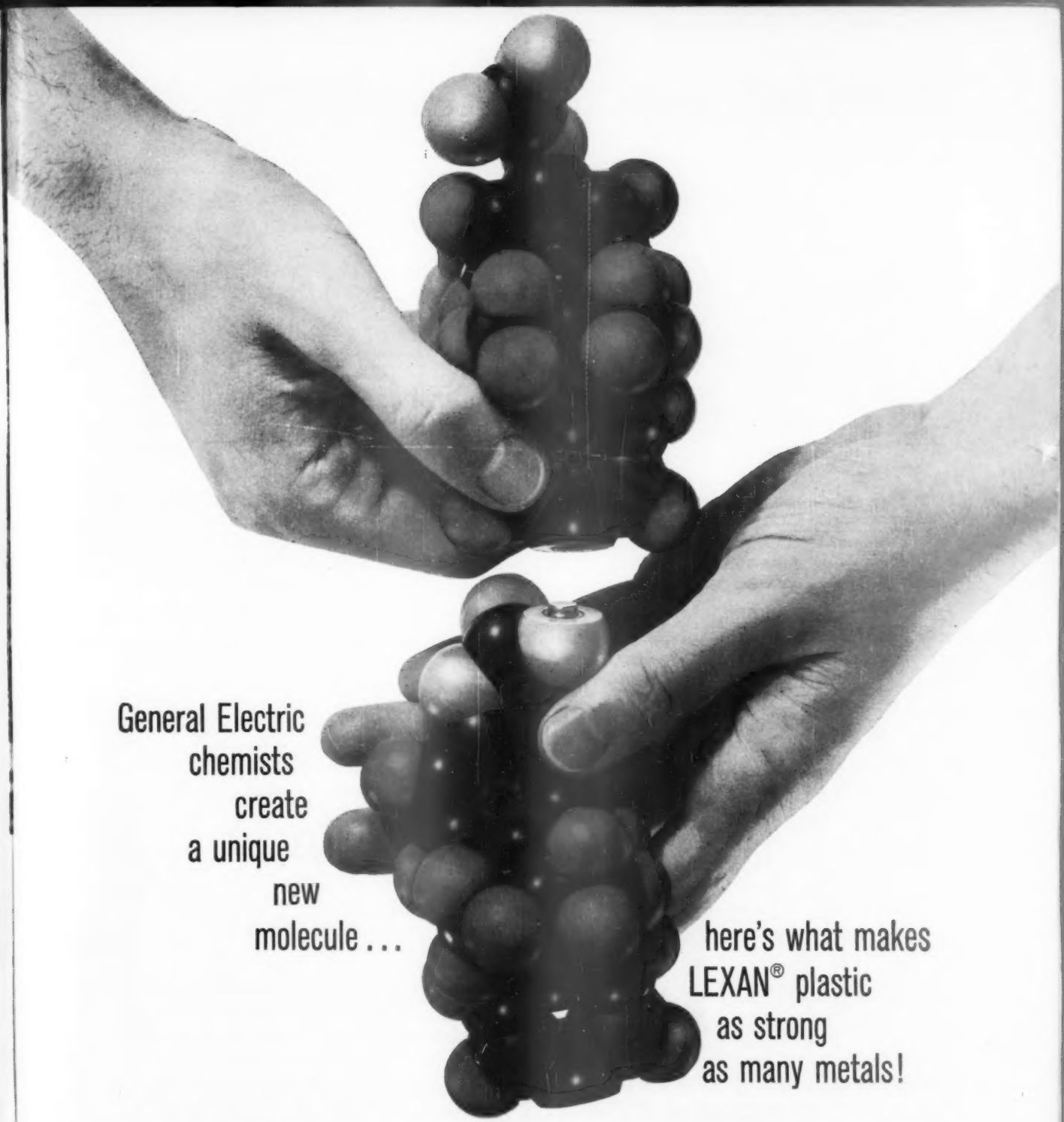
Action Pictures

Dear Sir:

Even though I had read in other publications about the new walkway system of loading passengers on jets, I was attracted to the BW story [BW—Aug.8'59,p30]. Your step-by-step action pictures showed me—for the first time—just how the new system works. Congratulations on another fine example of BW photo-reporting!

JAMES H. KENNEDY
WESTPORT, CONN.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.



General Electric chemists create a unique new molecule . . . here's what makes LEXAN® plastic as strong as many metals!

Take a close look at the molecular model of LEXAN polycarbonate resin that this General Electric chemist is putting together, and you'll be able to see why this unique new plastic has metal-like strength.

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Through chemical research and discovery, General Electric creates new materials – new products – new opportunities. General Electric Company, Chemical and Metallurgical Division, Bridgeport, Connecticut.

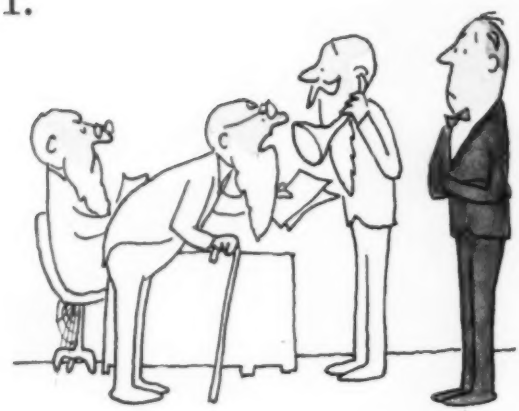
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Mr. Nickel's age-old problem

1.



"My company is aging fast," Jim Nickel faced the truth,
"My older men cannot retire, I'm not attracting youth.
A Travelers man said pensions are the answer to this mess;
Before my firm's an old folk's home I'll send an SOS."

2.



As though he'd come by radio, The Travelers man flew in:
"You have an age-old headache—one not cured by aspirin.
We have a pension plan to cure your firm's debility—
Deposit Administration or Deferred Annuity."

3.



"But what if stocks go plummeting—my pension plan is zero,"
Objected Jim, "and then I'd be a goat and not a hero."
Said Travelers' man, "Your employees will never lose a nickel:
Their pensions unaffected even if the market's fickle."

4.

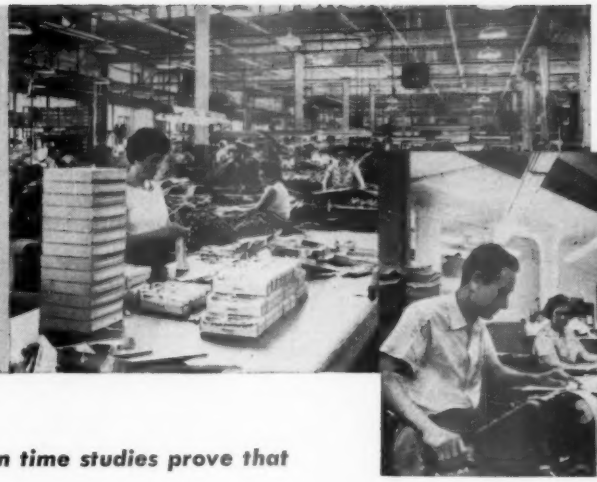


Then Travelers' man and Mr. Nickel's lawyer took the ball
For guaranteed security to workers one and all.
Before *your* men are hoary-headed, call a Travelers man
To make retirement easy with a Travelers pension plan.

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One of the production areas in the PIONEER plant. In a recent survey, piece workers attributed increased weekly earnings to less tension and fatigue.

BOTH office and plant personnel at PIONEER expressed enthusiasm for the continuous "lift" provided throughout the working day by Music by MUZAK.

"Our own time studies prove that

Music by Muzak has increased our production 6%, lowered absentee rate about 3%...

—also improved employee morale and decreased labor turnover,"

says Ralph J. Roberts, President of PIONEER INDUSTRIES, Inc., Darby, Pa.

IF YOU ARE a business executive responsible for the output and morale of many employees, you will not be surprised to learn that an estimated $3 *billion* is lost to U.S. industry each year in unproductive wages. The monotonous nature of many factory and office jobs understandably causes boredom. Boredom leads to fatigue, nervous tension, poor concentration, production slowdowns, costly errors, friction, absenteeism. What can management do about this problem? What can *you* do?

PIONEER Industries, Inc. (manufacturers of men's and boys' wallets, belts, jewelry, and toiletries) found the answer in MUZAK. Ralph J. Roberts, President of PIONEER, reports: "... music by MUZAK is as important to us as fluorescent lighting, proper ventilation and air conditioning. MUZAK has made a valuable contribution to improving morale and decreasing labor turnover. From our own time studies it has been proven that production has increased 6%, absentee rate lowered approximately 3%."

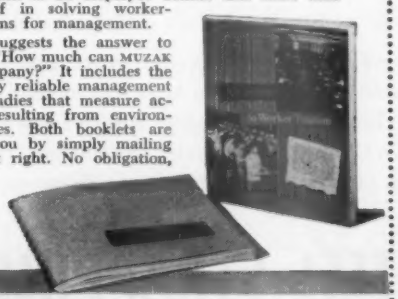
PIONEER is just one of the many thousands of companies enjoying a wide variety of management benefits through MUZAK. Why not find out what MUZAK can do for your company? Mail the coupon today for the two informative and interesting booklets described below. They are yours without charge or obligation.

Thousands of Top Management Men Have Sent for These TWO FREE BOOKLETS

"AN ANSWER TO WORKER TENSION" AND "HOW MUZAK AFFECTS PROFITS"

MUZAK Corporation's two informative booklets have been the starting point for worthwhile payroll savings for many types of factories, offices, and banks. One is a scientific report on MUZAK as an employee benefit that more than pays for itself in solving worker-tension problems for management.

The other suggests the answer to the question: "How much can MUZAK save your company?" It includes the first statistically reliable management engineering studies that measure actual savings resulting from environmental changes. Both booklets are available to you by simply mailing the coupon at right. No obligation, of course.



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Muzak — The PLANNED Music service

Consult the Yellow Pages under "Background Music" for the address of your local MUZAK distributor, or write Muzak Corporation, Dept. 19, 229 Fourth Avenue, New York 3, N. Y.

A COMPANY IN THE JACK WRATHER ORGANIZATION

MUZAK Corporation,
Dept. 19, 229 Fourth Ave., New York 3, N. Y.

Please send me, without obligation, your booklets—*"An Answer to Worker Tension"* and *"How* MUZAK *Affects Profits."* We are especially interested in:

- ☐ Reducing Absenteeism and Labor Turnover
- ☐ Increasing Productivity Per Worker
- ☐ Lessening Friction Among Employees
- ☐ Reducing Errors

Name.....Company.....

Position.....Type of Business.....No. of Employees....

Street.....

City.....Zone....State.....

☐ CHECK HERE IF YOU ARE INTERESTED IN A MUZAK TRIAL TEST.



Plan with your AIM*. . . Edgcomb Steel and Aluminum does . . .

Powered Machine aids effortless coil strapping

EDGCOMB STEEL AND ALUMINUM CORPORATION, HILLSIDE, N. J., and their Acme Idea Man developed a faster, easier way to handle and strap heavy coils of steel with the new Acme Steel F4 Strapping Machine and Indexing Table. (Idea No. S4-10)

Now Edgcomb Steel and Aluminum has doubled its coil strapping capacity and saves about eight man-hours per shift. Power lifts the coil above the indexing table top on three tapered rollers that rotate the coil for strap placement. The F4 tensions each strap to predetermined tightness, seals and cuts it. The F4 has unlimited strap feed and take-up, and makes its own seals from a coil.



Acme Idea Man, C. A. Lested, serves many companies with time and money-saving ideas.

Ask your Acme Idea Man to show you the new 10 minute movie on this equipment.

***Plan with your Acme Idea Man.** Backed by Acme Steel engineers, he can help adapt Acme Steel Strapping Machines to your needs. Call him or write: Dept. BGS-99, Acme Steel Products Division, Acme Steel Company, Chicago 27, Illinois. In Canada, Acme Steel Company of Canada, Limited, 743 Warden Ave., Toronto 13, Ontario.

ACME STEEL **STEEL STRAPPING**



For STRENGTH...get NIBROC® Hi-Dry Towels

Nibroc can really take it ▫ Exclusive Hi-Dry fibres keep towels from tearing ▫ They soak up water faster ▫ Management likes them ▫ Because they reduce waste ▫ Cut annual towel costs ▫ Next time get Nibroc Hi-Dry Towels.

Another Quality Product of BROWN COMPANY

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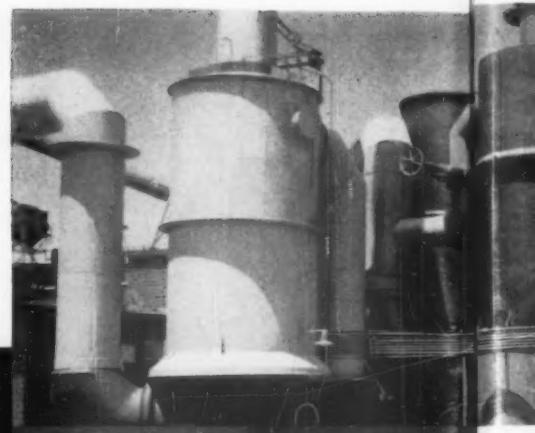
See "Paper Towels" in Yellow Pages, or write Dept. ND-9, Boston, for samples.

Mills: Berlin and Gorham, N. H.
General Sales Offices: 150 Causeway Street, Boston 14, Mass.

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Manufacturer's Manufacturer





A valve of this aerosol container is smaller than a contact lens and about as precise. Ohio Rubber Division of Eagle-Picher mass-produces such precision rubber parts with plus or minus tolerances of 0.002 of an inch.

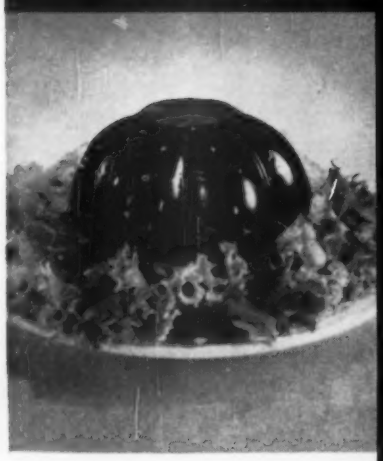


Magnetic drum memory unit of a computer can remember millions of facts fed to it by circuits in which Eagle-Picher electronic grade germanium performs essential functions.



Ruggedness, compactness and reliability characterize the special purpose electrical power supplies developed by Eagle-Picher for use in missiles, rockets and sound detection apparatus.

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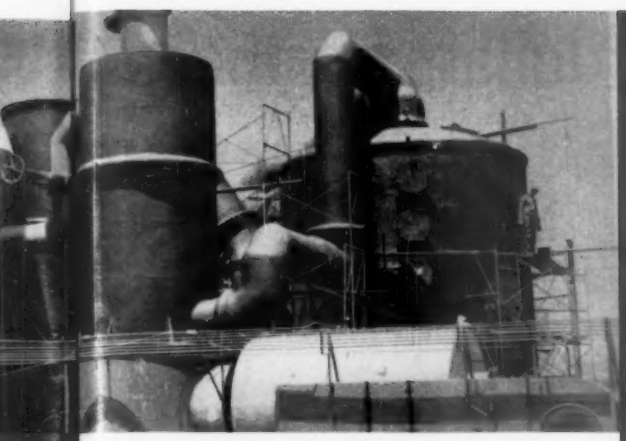
What gives the gelatin its jewel-like clarity? Chances are, in the manufacturing process, it was filtered in liquid form through an Eagle-Picher diatomaceous earth filter aid.



A volume supplier of automotive parts, Fabricon Division of Eagle-Picher manufactures trunk liners, cowl trim panels, sun visors, glove boxes and other components.



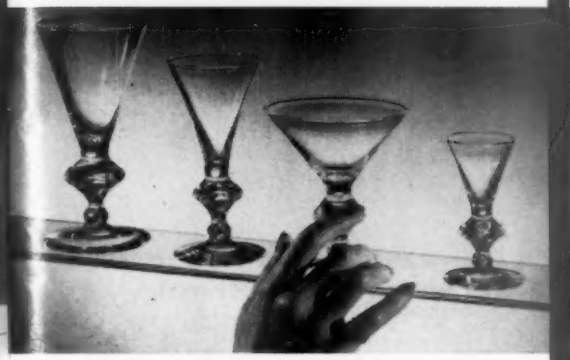
The "new look" that stays new is typical of porcelain enamel signs. Chicago Vitreous Corporation, a division of Eagle-Picher, manufactures frits, the basic material of porcelain enamel.



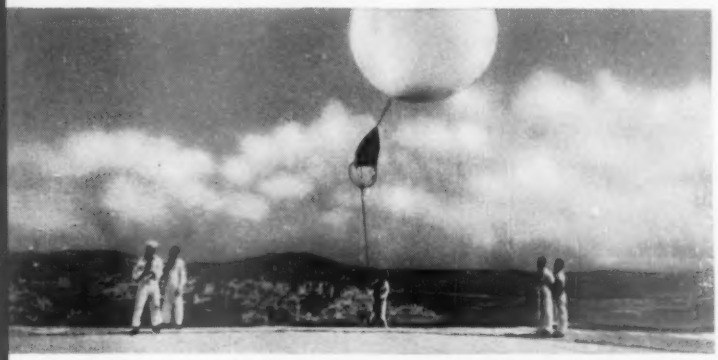
Maximum thermal control is achieved with Eagle-Picher insulations at a modern chemical plant. Applications of full line of insulations range from sub-zero to 2300 F.



Storm windows are "show windows" when they're as smartly styled as Eagle-Picher enclosures. There are three complete lines, all carrying a Triple Guarantee of Satisfactory Performance, including the Good Housekeeping Seal.



Lead and zinc compounds from Eagle-Picher are widely used in glass and ceramic manufacturing.



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INSULATION DIVISION — Insulating cements, blocks, blankets, felts, pipe covering ★ Aluminum storm windows and doors ★ Diatomaceous earth filter-aids, aggregates, absorbents, catalyst supports.

FABRICON PRODUCTS DIVISION—Automotive parts, such as door trim panels, trunk liners, dash insulator mats and glove boxes ★ Waxed paper, cellophane and polyethylene ★ "Lamin-Art" decorative plastic sheets ★ Custom impregnated papers, textiles and glass cloth ★ Molded plastic parts.

CHICAGO VITREOUS CORPORATION—Porcelain enamel frits for home appliances, plumbing ware, lighting fixtures, architectural paneling, outdoor signs and other products requiring protective finishes ★ "Lusterlite" all-porcelain enameled gasoline service stations.

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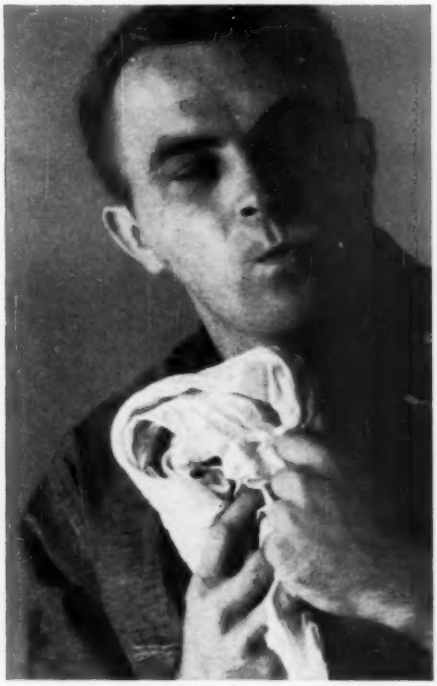
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How many thousands of dollars do these



High purchase price or rental fee—

$_____



Inadequate inventory control—

$_____



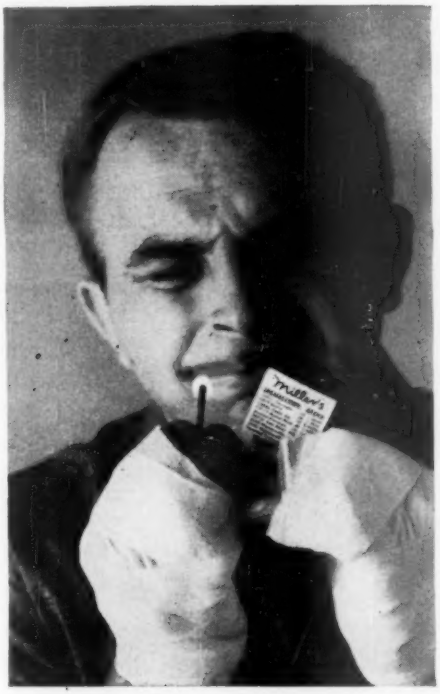
Production time lost by employees seeking fresh wipers—

$_____

You can save money on industrial wiping—if you know where it's being lost. To help you find out, Scott has prepared a Wiping Cost Survey which enables you to pinpoint your direct and indirect costs. A 24-page booklet suggests ways to reduce your wiper expense. User reports tell how many firms—Westinghouse, Sinclair, Ekco-Alcoa, BCA, Curtiss-Wright, to name a few—attacked their wiping problems and brought them under control. Any or all of this information is yours, free, on request. Ask your Scott paper merchant, listed in Yellow Pages under "Paper Towels." Or mail the coupon.

SCOTT PAPER

wiping problems cost you annually?



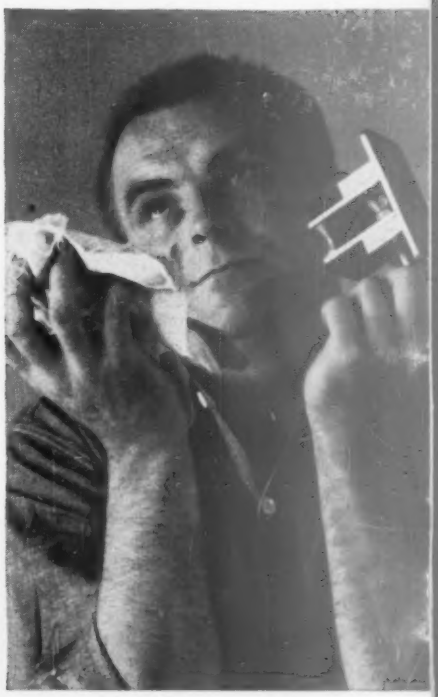
Dermatitis caused by unsanitary wipers—

$_____



Crib time lost in counting, sorting, recording new and used wipers—

$_____



Rejects caused by lint, scratches, inefficient wiping performance—

$_____

SEE HOW YOU CAN CUT WIPER COSTS IN YOUR PLANT—MAIL COUPON TODAY



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Send the 24-page illustrated booklet, "Industrial Wiping—an area where costs can be cut!" (Describes the modern methods of determining wiping costs and controlling them through value analysis and programming.)



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- ☐ Chemical
- ☐ Electrical
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- ☐ Machinery
- ☐ Metals
- ☐ Petroleum
- ☐ Transportation



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SCOTT PAPER COMPANY
Department BW-99, Front and Market Streets, Chester, Pennsylvania

Please send me—without cost or obligation—the wiper information checked above.

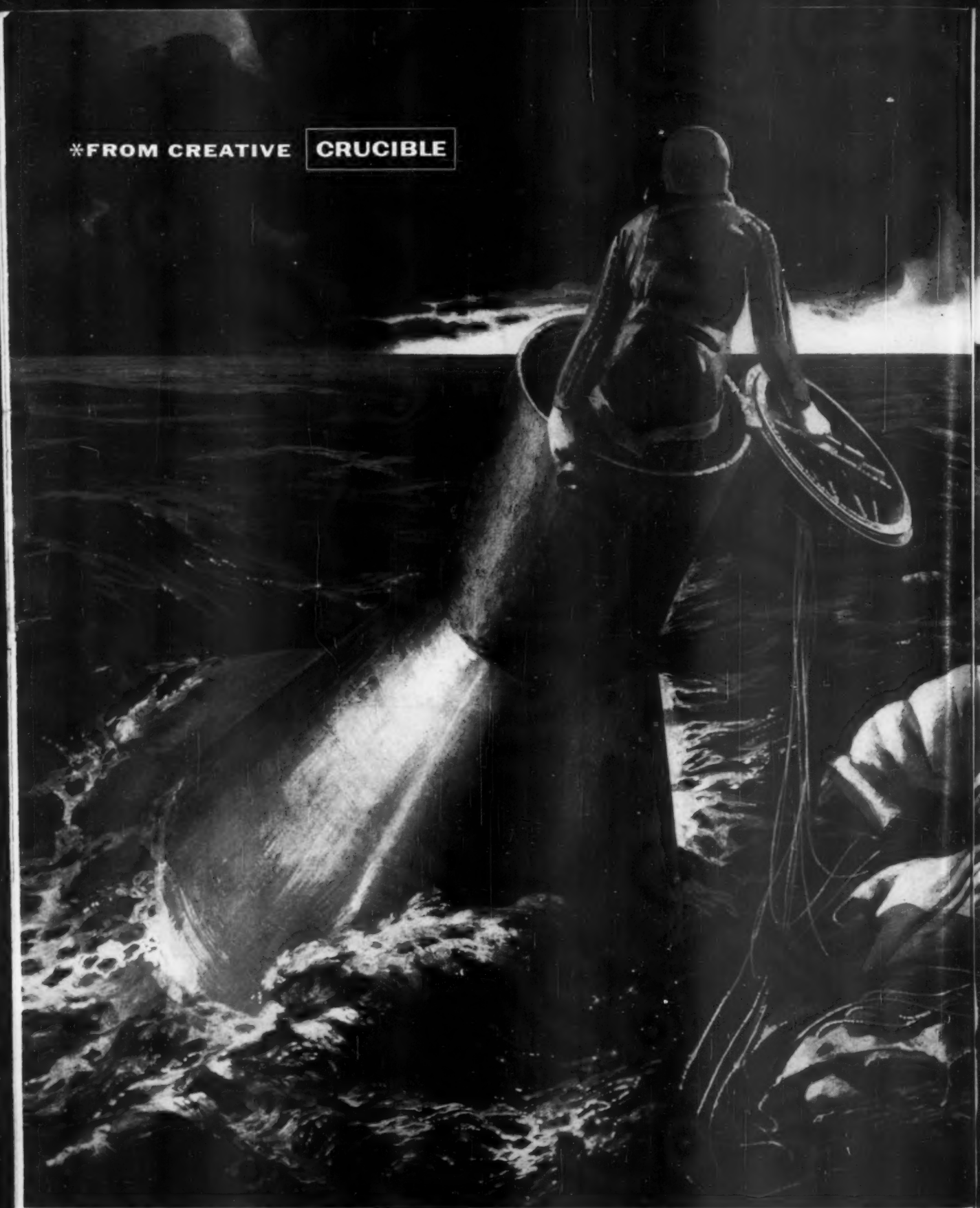
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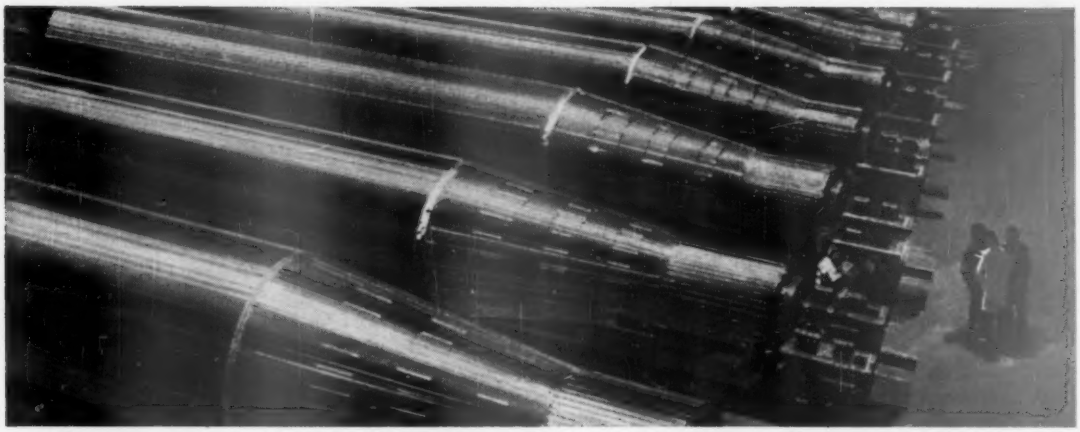
Company_____

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City_____ Zone_____ State_____



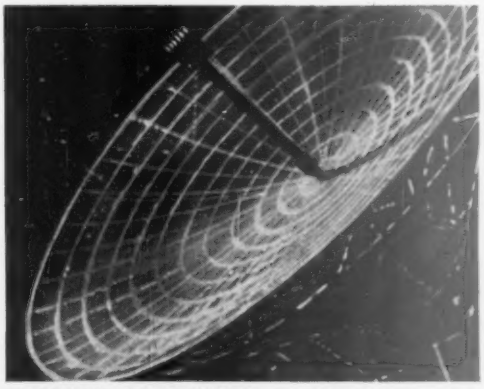
TITANIUM—Back from space will come the astronaut after a grueling 18,000 mph ride in orbits looping 100-150 miles above the earth. His 2-ton satellite will use titanium because of this metal's light weight and high strength at high temperatures. Crucible, a major producer, pioneered in developing this fabulous metal.



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Crucible is producing titanium alloys with twice the strength available five years ago—a major technological breakthrough.

Only Crucible is so deeply engaged in all the basic vacuum melting processes, used in making the highest quality steels. Only Crucible offers the flexibility which permits selection of the most economical process and the alloy of optimum purity for the application.

And Crucible is continually applying the properties of its broad range of special steels to meet the aircraft and missile industries' increasingly stringent needs.

No other specialty steelmaker is as active in so many areas as Crucible. So, if you have a problem relating to specialty steels or titanium, write: *Crucible Steel Company of America, Dept. MI05, The Oliver Building, Mellon Square, Pittsburgh 22, Pa.*

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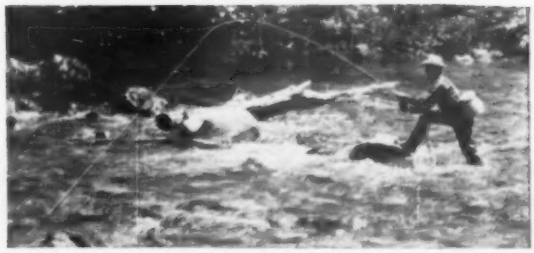
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G59-6

BUSINESS OUTLOOK

BUSINESS WEEK
SEPT. 5, 1959



Tightness in the money market was reemphasized as a business problem this week when the banks raised interest rates (page 26).

This **financial** concern adds to widening **strains caused by labor** trouble and uncertainties **raised by international developments.**

Credit stringency certainly is no surprise (BW—Jul.11'59,p19). Perhaps money market conditions don't even pose any immediate threat to business activity. Nevertheless, **the hike in bank interest foreshadows the much-discussed rise in the Federal Reserve's discount rate. And the news, expected** though it was, **sent the stock market tumbling.**

Perhaps the stock market itself has to be rated a business worry.

This isn't the boisterous affair it was a short time back. It is now **prone to shocks,** unwilling blandly to explain away bad news.

Certainly it isn't, as yet, forecasting a downturn in business. But neither is it providing lush **paper profits to buoy consumer spending.**

—•—

Here's something to remember about high interest rates: They can help to **stem the outflow of gold.**

An attractive return invites foreigners to leave their balances here for investment; it also induces "transient money" to flow this way.

Also, **our exports seem to be going into a fairly strong uptrend.**

Stemming the outflow of gold (as well as the anti-inflation fight) is a factor leading the Federal Reserve to keep money tight.

It may be significant that **the dollar was strong in terms of foreign currencies** at midweek. This momentary stiffening doesn't spell the success of the campaign, but it may be indicative.

The dollar couldn't remain sturdy, of course, unless both the **gold loss** and **inflation fears were being** met fairly successfully.

Prices in this country have changed very little, it should be remembered, considering the vigor of the recovery.

Wholesale prices are about where they were at the start of the year, over-all. **Industrial raw materials** have risen less than might have been expected, while **metals** average lower than last January.

Thus, even though the cost-of-living index has kicked up a bit recently, **we're not suffering much in the way of inflation.** And food now is declining seasonally, which **will help to stabilize living costs.**

—•—

Pressure for business loans this year has been coming from what New York provincially calls the hinterland.

Much of this has been **industrial demand**—metalworking companies building up their inventories before the steel strike. Then there also has been **heavy wholesale and retail borrowing** to carry expanding trade.

But the **sharpest rise** in the demand for money has not been from industry and trade; it has been **from real estate and consumer credit.**

Banks' **lending,** on their own account, to consumers has been rising even more rapidly than in 1955. And their **advances to consumer finance companies** have been shooting up since February.

Moreover, in the first half of this year, their **real estate loans** went up by about $1.3-billion.

—•—

Mortgages of $20,000 or less on nonfarm properties (mostly for home purchases) came to **$15.7-billion in the first half of 1959. That was a gain of nearly $4-billion** or 33% over the same 1958 period.

These loans come from several classes of lenders, with the **savings and loan associations the largest** by a wide margin. Commercial banks, directly, have been supplying only about 20% of this mortgage money.

Much of the money that goes into home loans is self-generated, in a sense; it comes from repayments on outstanding mortgages.

But the **net increase in outstanding mortgage loans** in the first half of this year—the excess of new borrowings over repayments—appears to have been in the neighborhood of $6-billion.

This has contributed directly to the credit stringency.

—•—

Consumers have been going into debt on time purchases at a rate that bids fair to rival the 1955 spending splurge.

In the four months, April through July, they increased their installment indebtedness by almost exactly $2½-billion. This, again, is a net figure—the excess of new borrowings over repayments.

So far this year, the rise in installment debt has been just **a little smaller dollarwise than in the same 1955 period.** However, the rise this time started from a substantially higher base; the relative rise, as a result, is about 7% this time against 12% in 1955.

—•—

Optimism on the outlook for new autos may be dampened, before this is all over, by the credit situation.

There are no means available to the Federal Reserve to curb installment sales directly, of course. But the authorities are convinced they may have to **apply some sort of moral suasion to the lenders.**

High interest rates, by themselves, won't curb auto credit.

The rate of return, in installment financing, is high enough to make interest rates ineffective. Besides, the lenders are a resourceful lot; high downpayments and limited repayment periods have been the only things known to hold them back when borrowers were beckoning.

Anyhow, **the auto companies are going to start out the new model year with a bang.** September output will be held down by changeover difficulties. But October output has been scheduled at 640,000—the biggest month, if they make it, since January, 1957, and **the best October since 1950.**

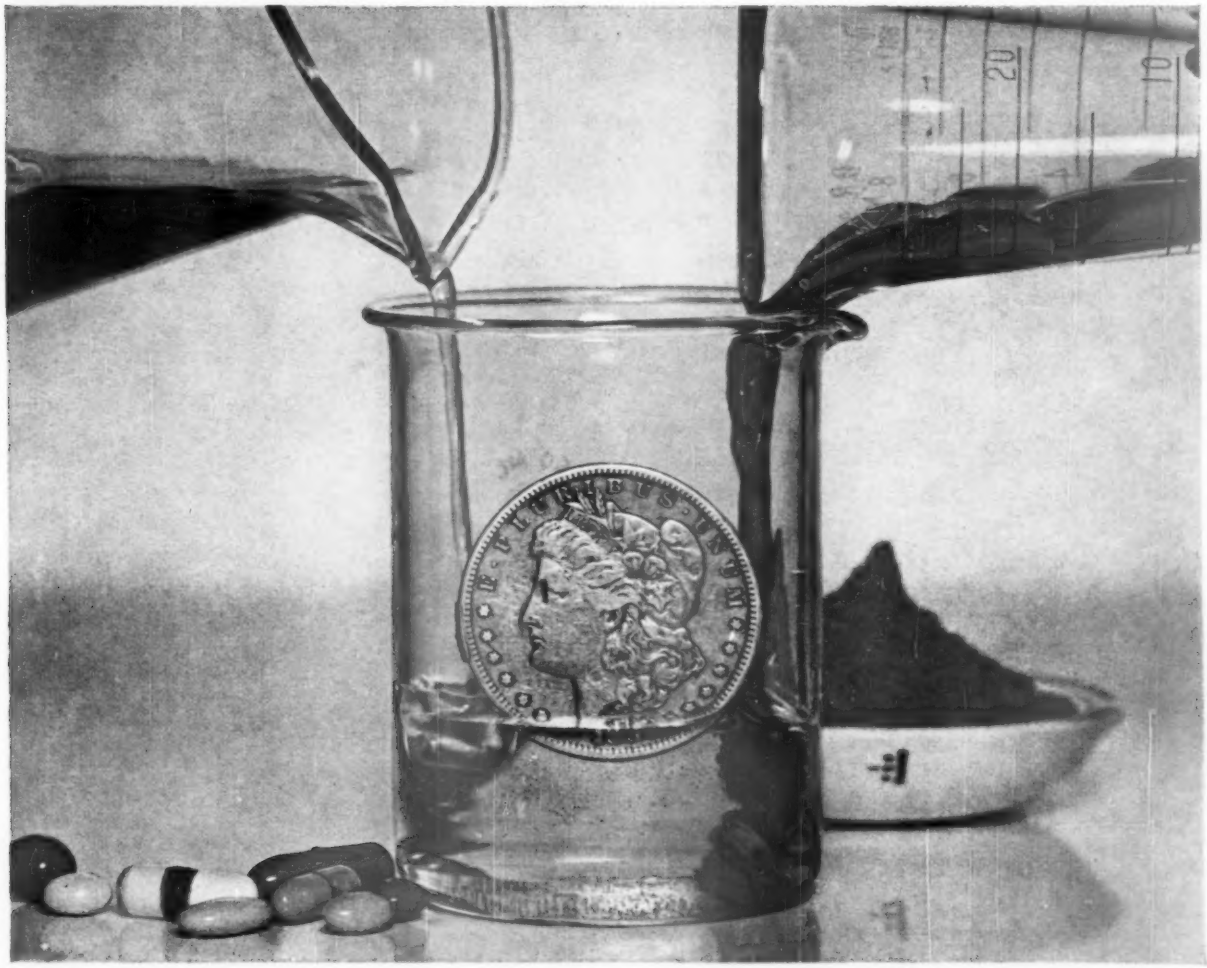
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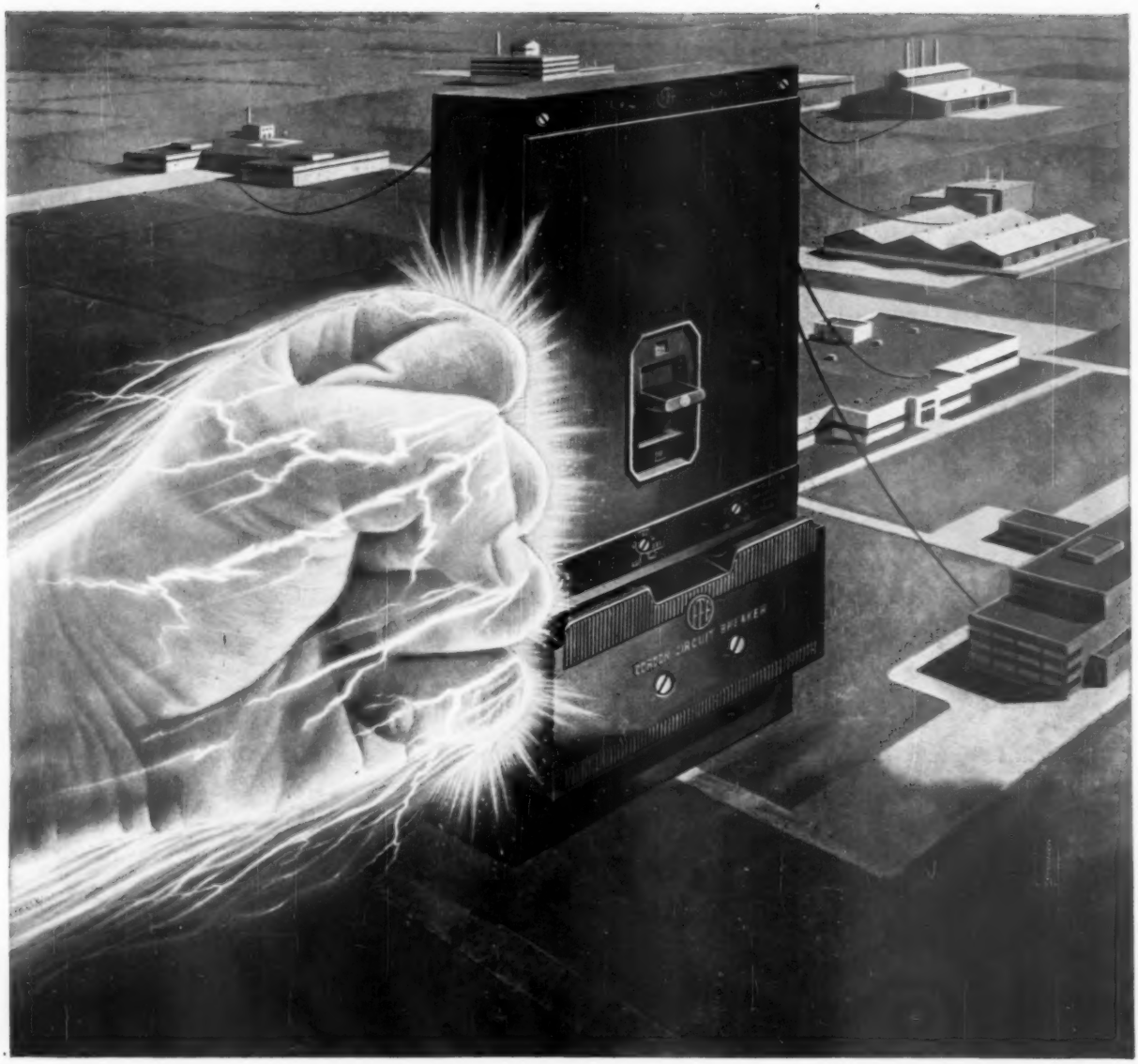
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A smooth path for normal electric currents, the I-T-E Cordon circuit breaker becomes an impassable barrier to heavy, smashing slugs of power. Here, artist Ned Seidler paints the Cordon in its vital protective role.

TAMES THE TERRIBLE POWER OF ELECTRICITY

Behind nearly every electric circuit in factory, school and store lurks considerably more power than is used. Big power demands a circuit breaker with big protection built into it. Otherwise a simple short circuit could cause spectacular fireworks and damage. Against this risk, I-T-E developed its "Cordon®" circuit breaker . . . capable of interrupting up to 100,000 amperes in only 1/240 second. If accidental short circuit opens the gates to a damaging flood of electric current, the "Cordon" quickly shuts them . . . faster than an eye can blink. Yet the "Cordon" fits into only half the space required by traditional devices. And it costs a third less. This new and advanced solution to an important electrical problem is typical of the electrical progress that comes continually from I-T-E. In countless other ways, the products of I-T-E help make your electricity more useful, more dependable and more efficient.

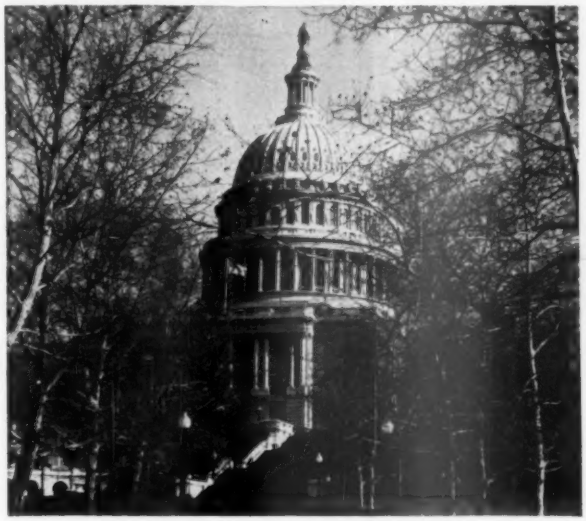
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I-T-E CIRCUIT BREAKER COMPANY

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Congress, White House Clash

For almost five years, divided government has been working more smoothly in Washington than most people thought it could.

Republicans in charge of the Executive Dept. and Democrats in charge of Congress have been able to reach working agreements on even the most explosive issues. Neither side has been really happy, but the system has avoided the really damaging, irreconcilable splits that end in no decision at all.

Eisenhower and Congress got together on such matters as the $7-billion tax reduction of 1954, a multi-billion-dollar highway improvement program, a stepped-up missile program to meet the Soviet threat, and a new agency to direct the U.S. drive into space. They have even lived fairly amicably within the confines of five Administration budgets.

The period seems to be coming to an end. The spirit of compromise and accommodation is wearing thin; tempers are growing shorter on both sides.

• **Changes on Both Sides**—Until this year, divided government worked fairly smoothly because, on most issues, both sides were willing to give some ground.

The change set in when Eisenhower reacted to the Democratic election sweep of last November with a fiery and sustained attack on spending, and the GOP installed new and more vigorous leaders in the House and Senate.

Democrats retreated on spending. From a drive to increase the Eisenhower budget, they switched to a drive aimed at cutting it.

This convinced Republican strategists that they had the upper hand and that they should keep crowding the Democrats.

Meanwhile, Speaker Sam Rayburn and Senate majority leader Lyndon B. Johnson have been flogged by members of their own party for being too soft on Eisenhower.

Democratic National Chmn. Paul Butler and the party's National Advisory Committee have been calling on Rayburn and Johnson to fight for higher spending, lower interest rates, pro-union legislation, high farm price supports, and other issues that became a party tradition during the Depression. Rayburn, Johnson, and the Democrats of Congress are finding this easier and easier to do as the long, tiring session draws to a close and as Eisenhower keeps the pressure on.

• **Farm Deadlock**—The new, no-compromise spirit has already produced one deadlock. Both sides admit that the present collection of farm price support laws is a failure, but after a new wheat bill was passed by Congress and vetoed by Eisenhower, nothing more has been done.

Eisenhower hopes to break this stalemate during the winter in a TV and radio appeal to the public, but chances are no more than 50-50 for any kind of action before a new Congress and a new Administration take office in January, 1961.

• **Inflation Issue**—The broad issue of inflation control is producing the greatest stress. Here are the specific points of conflict:

• Democratic leaders are refusing to consider Eisenhower's request for higher interest ceilings on savings bonds and Treasury bonds of more than 5 years' maturity.

Eisenhower sees higher rates as a necessary factor in his anti-inflation program, and he accuses Democrats of inviting a new round of price increases by refusing to act.

• Congress is forcing Eisenhower to choose between a housing bill with more spending than he wants and the possibility of no housing bill at all. If Eisenhower refuses to yield, the noncontroversial mortgage insurance program will be in danger for the first time since it was originally adopted in 1934.

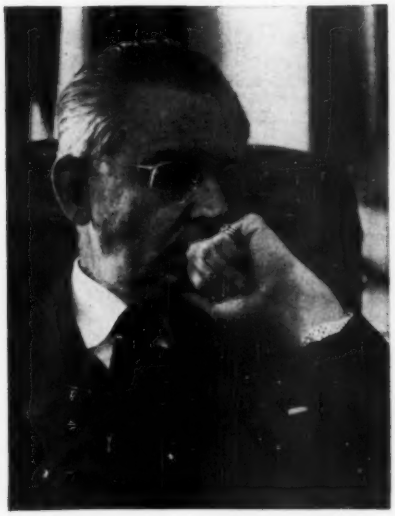
• Democrats lost by one vote their effort to get the last word on another spending issue—new water development projects that they included in the $1.2-billion public works appropriation bill.

The President vetoed the bill last week. The Democrats have a 100% record of failing to override any of Eisenhower's 144 vetoes.

For a look at how these issues are working out, see the following pages.



Fed Chmn. Martin's tight rein on money has been Democratic target; now he has respite as . . .



Treasury Secy. Anderson heads for showdown with Congress on lifting interest ceiling and . . .



Speaker Rayburn stands firm on refusal. Meanwhile, money pinch (chart, right) will tighten.

Clash on Money Policy

The question of whether the U.S. Treasury should be free to pay the going interest rate on the money it borrows, or should be confined to ceilings set by Congress, is heading toward a no-holds-barred political showdown.

While the struggle is going on, some private borrowers are going to get hurt. That became evident this week when the nation's banks raised their prime rate—the charge to their biggest and best customers—from the previous 4½% up to 5%, the highest charge in 28 years. This move made clear that the pressures on the Treasury, the Federal Reserve Board, and Congress have reached high pitch, and signaled a new round of higher interest rates.

The pinch will be felt mostly by individuals, small businesses, and marginal borrowers seeking short-term loans. Rates for short-term money can be expected to rise. Some borrowers will not be able to get what they want at any price. In short, money borrowed for ordinary business purposes will get even more expensive and harder to get than it already is.

• **Tougher Line**—Both sides in the fight over the U.S. bond interest ceiling are confident they can win—an indication that the struggle could be both long and bitter.

The Administration in particular is hardening its position and showing every sign of welcoming the combat.

Eisenhower opened up the issue three months ago by asking Congress to end statutory ceilings on interest payable on savings bonds and on bonds of over five years maturity. Ceilings have long since been removed on other Treasury securities. The Administration began with the soft approach, counting on Treasury Secy. Robert B. Anderson's gift for quiet persuasion to bring Democrats into line. That failed, and now the tougher policy is taking over.

• **Respite for Fed**—The new situation takes the Federal Reserve Board out of the direct line of fire, at least temporarily. This is a definite shift, for when the battle began the Fed was Congress' real target. Congressional Democrats have been discontented with the Fed's continuing tight money policy. But, although the Federal Reserve Board is technically a creature of Congress, the tradition of Fed independence is so well established as to make it very nearly impossible for congressmen to do much about their discontent.

This spring when money became so tight as to bring the Treasury up against the legal ceiling on its long-term borrowing rates, Congress saw its chance.

Congress' first move was to attach a clause to the legislation Eisenhower had asked, a clause which would have put at least moral pressure on the Fed to ease up. The Administration refused to accept that. Thereupon, Congress refused to act on the legislation itself.

That refusal also looked like a powerful weapon against the Fed. It seemed that the board would have to ease interest rates to avoid forcing the Treasury exclusively into short-term financing—with the upset to the money market and the possibly inflationary effects that might result. In effect, Congress could hold the Treasury hostage in its dispute with the Fed.

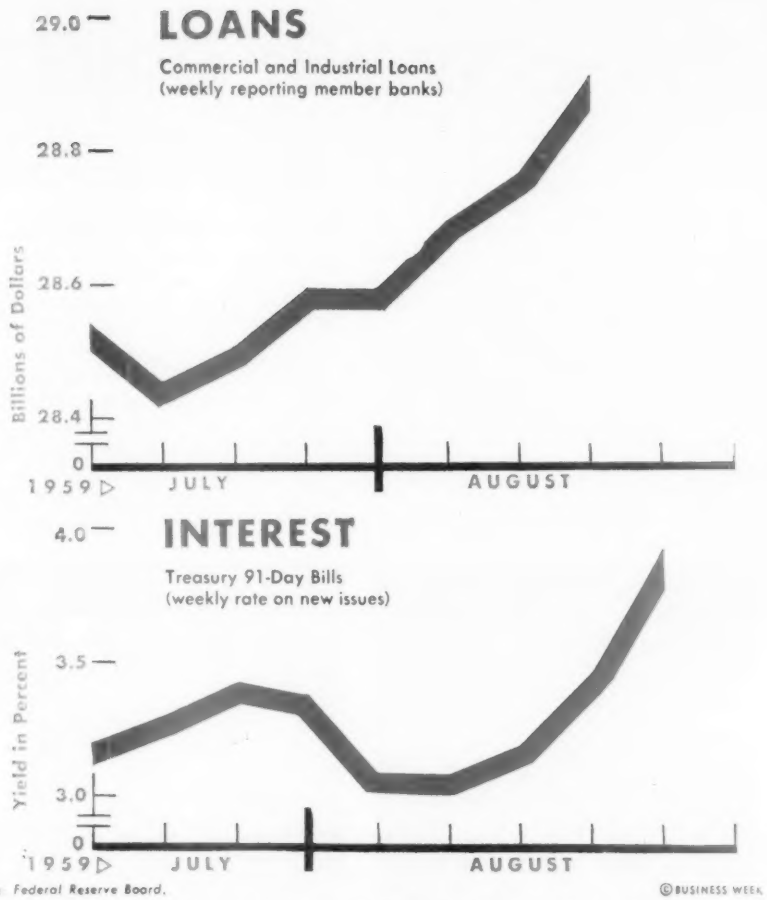
It hasn't worked that way. The Administration has decided to push forward uncompromisingly, let the issue come to a crisis—and put the consequences on Congress' head.

Eisenhower and Anderson are in the fight as major combatants. The Federal Reserve is now in the role of uncomfortable bystander, while the Democrats have a full-scale political clash on their hands with an aroused President and a skillful and adroit Treasury Secretary.

• **Political Angles**—The top professionals of the Republican Party in Washington are urging Eisenhower and Anderson on. They are convinced that the coming fight will make Democrats vulnerable to charges of being soft on inflation, in favor of "funny money" gimmicks, and fiscally irresponsible. All this, they believe, will be to the GOP's political advantage in next year's election campaigns.

Here is what lies behind Treasury thinking:

By refusing to lift the 4¼% ceiling on bonds of over five years maturity the Democrats are forcing the Treasury to do all of its forthcoming financing in the short end of the market. In the next 12 months, it will have to issue $85-billion worth of securities, some $27-billion worth between now and next February. It will not be able to go into the long end of the market for any of



RISING demand for loans in face of tight money policy, coupled with Washington impasse that forces Treasury into short-term market, keeps interest rates climbing.

is because rates there exceed the 4¼% ceiling.

Operations of this size concentrated in the already tight short-money market will force interest rates up. The Treasury always gets what it needs, no matter how tight the market, and this means that some private borrowers will be pinched.

• **Squeeze**—The charts at the right help explain the basic problem of the money market—in essence, a rising demand for money in the face of a tightening rein on funds.

To justify this week's rise in the prime rate, the banks point to the surprisingly high demand for loans in the midst of a nationwide steel strike, at a time when the banks themselves are pinched for funds. Steel-using companies, which borrowed heavily to finance inventories, have indeed been working down their stocks and paying off their bank loans. But the banks note that growing demands elsewhere have offset any decline in steel loans. Besides, the regular pre-Christmas rush of retail inventory borrowing is about to start.

The Fed, meanwhile, has reined in hard on the banking system's reserves, which form the basis for bank lending and investment. To maintain the legally required level of reserves, banks have had to go heavily in debt to the Fed. The Fed's restraint has pushed short-term interest rates to 26-year highs, and has demoralized the bond markets. The bond market is convinced the Fed will soon move up its discount rate, to keep it from getting too far out of line with other market rates.

• **Treasury View**—If the situation gets severe enough and money is not obtainable at any price even for good risks, the Treasury figures, then the Fed will at some point supply the banks with additional reserves. When this point will come, nobody will even try to guess. But officials point out that the Reserve System simply cannot stand by and watch Treasury issues fail—this would mean that bills of the federal government would not be paid.

So money to meet government obligations would have to be supplied by the method most feared by both the Administration and the Federal Reserve—through the commercial banks. Eisenhower has already told Congress this is only a step removed from outright printing press money, and this theme will be repeated many times.

• **Blame on Democrats**—"Even if we could spread out some into the long end of the market things would be tough enough," one official puts it. "But by handcuffing us, the Democrats will have to take the blame for what happens."

Officials are convinced that fear of inflation is still a powerful force in the country, and that Eisenhower will have no trouble identifying the complexities of debt management with his favorite theme.

"He made the people see the connection between budget deficits and high prices," one aide comments. "He'll put this idea over, too."

• **Possibilities**—Treasury officials argue that they could put a substantial part of their financing in long-term issues if Congress would agree on interest rates. Officials would particularly like to go into advanced refunding, in which holders of long-term issues still several years from maturity are offered new long-term issues on an exchange basis. This avoids competing with other borrowers for new funds. But the Treasury cannot go into advanced refunding unless it can offer interest rates competitive with private borrowers.

Actually—as Democrats increasingly are pointing out—the Treasury could dip into the long-term market without action of Congress, by selling bonds at a discount, as it is empowered to do under a 1942 law. Anderson has done this to a limited extent. In January he put out an issue due in 1980 with a 4% coupon but priced at 99 to give the buyer a yield of 4.07. But he and Eisenhower refuse to take this way out; a White House aide argues that "it wouldn't settle anything."

• **Who's Big?**—One Administration thinker contends that the Democrats are making a fundamental political error in opposing high interest rates. Nowadays, he says, the borrowers are not little guys but big ones—governments, corporations, and the like. It's the lenders, he argues, the people who benefit from high interest rates, who are little guys—the people who contribute to pension funds, have savings accounts, pay insurance premiums.

Democrats, standing traditionally for lower interest rates, scoff at this theory. They think it's the interest payers—buyers of mortgaged homes and farms, consumers buying on credit—who hold the political power.

• **Uncertain Result**—On the surface, the Democratic leaders of Congress are standing firm in their refusal to take up Eisenhower's request for legislation. But there are signs that they are still not sure what to make of the new situation.

There has even been one important Democratic defection. Sen. Harry F. Byrd, chairman of the Finance Committee, told the Senate last week he

thought Congress, before it adjourns, should take some sort of action to free the Treasury. Byrd has leaned to the idea of raising the interest ceiling, instead of ending it, but did not go into details in his Senate speech.

He attacked Speaker Sam Rayburn for saying that the House would not act because "there is not the slightest chance of the Senate doing anything this year."

"Who can say how 100 senators will vote?" Byrd asked, labeling Rayburn's explanation as an alibi for not facing up to the House's constitutional requirement of initiating legislation relating to the national debt.

Speaker Rayburn himself seems uncertain at least regarding the ceiling on savings bond interest. He refuses to rule out the possibility that the House will act on this part of the Administration's program.

• **Possible Delay**—There is a possibility that Eisenhower will call Congress back into a special session to consider his whole debt management proposal. Some Administration aides favor this as an opportunity for Eisenhower to rally public opinion without the distractions of an ordinary session.

In private conversations, however, most Administration officials still speak about the clash as coming next year, not this. Some point out that the Treasury's case might be strengthened if the situation is allowed to drag along, with credit getting more stringent and the short-money market more and more under pressure. Anderson will be the key man in deciding whether to force a showdown this year or wait for 1960.



Housing Administrator Norman Mason approved President's veto of previous housing bill.



Rep. Albert Rains' take-it-or-leave-it "package" bill contains features Eisenhower objects to.

Clash on Housing

Shortly after Pres. Eisenhower returns from abroad he will have to make a decision on one of the major points of dissension between the White House and Congress.

This is whether to block for the third straight time a housing bill, and thus further antagonize Congress.

The House of Representatives was in a defiant mood last week when, during the President's absence, it passed by a 283-to-105 vote a take-it-or-leave-it housing bill.

With tempers growing short as Congress drives toward adjournment, housing supporters made it perfectly clear that this is the last housing measure the President will get this session.

• **History**—Eisenhower, with help from Chmn. Howard Smith (D-Va.), of the House Rules Committee, last year effectively blocked action in the House on a Senate-passed omnibus housing bill. Eisenhower lined up strong Republican support to defeat a move for House action after Smith had refused to clear the legislation for normal debate and vote. Then, last July, the President rejected a $1.3-billion bill, objecting to provisions for urban renewal, public housing, and college housing. The Senate failed in an override attempt.

• **$1-Billion Price Tag**—The present measure, which still contains the features Eisenhower objects to, carries a $1-billion price tag.

House passage completed Congressional action on the housing bill. Eisenhower has until the middle of next week to act on it. The measure carries $650-million for slum clearance projects; $250-million for college housing loans; $25-million for Federal National Mortgage Assn. purchase of FHA-insured mortgages on cooperative housing; $50-million each for construction of college classrooms and housing for the elderly; and authorization for 37,000 new public housing units.

The bill also contains one item that Eisenhower urgently requested. This is authority for the Federal Housing Authority to insure $8-billion in home mortgages.

• **Plea for FHA**—Before flying to Europe, Eisenhower sent a special letter to Congress asking that FHA insurance authority be passed as a separate piece of legislation. But this the rebellious Congress refused to do. If Eisenhower wants the insurance authority, he will have to buy the whole housing package, Democrats say.

Rep. Albert Rains (D-Ala.), floor manager for the bill, said bluntly: "We've gone as far as this Congress can . . . this is the last housing bill coming up this year."

Democratic leaders in the Senate are confident they have the votes to override a veto on the issue. The situation is doubtful in the House, with the outcome expected to be close.

Administration officials were clamming up until Eisenhower's return. Housing Administrator Norman P. Mason, who strongly urged Eisenhower to veto the housing legislation of last July, refused to say anything until he has a chance to talk with the President.

• **No Slowdown**—Even if a veto should be upheld and no housing legislation emerge this year, there will be no slowdown in actual construction work now going on. FHA still has enough leeway to take care of its immediate commitments. There already is something more than $4-billion in federally authorized housing projects in the pipeline. Many of these projects are still only in the planning stage with actual construction some years off.

But a veto would disrupt planning on future projects. Plans for something over $500-million in additional urban renewal projects would have to be shelved for the time. Democrats claim that many of these projects may be killed off by less enthusiasm by states and cities if housing legislation is allowed to die for the second year in a row. The same fate threatens future college housing and public housing, according to these Democrats.

FHA currently is issuing agreements to insure mortgages until the impasse between Eisenhower and Congress is broken. Approximately $5-billion in such agreements have been issued to date, but this is only a stopgap measure.

Tough Labor Bill Is the Winner

● **The labor reform law that emerged from House-Senate conference is close kin to rigorous Landrum-Griffin bill.**

● **It contains many strong provisions aimed at abuses of power by union officials.**

● **The impact will be felt especially in industries where boycotts and organizational picketing have prevailed.**

Congress this week was set to pass a labor law that gives employers and individual union members strong new defenses against union leaders.

Making the bill into law will be only a formality now. At midweek, after 11 days of hard bargaining, conferees from the House of Representatives and the Senate agreed on compromise legislation reconciling the conflicting bills passed earlier by the two houses. They followed close to the line of the tougher Landrum-Griffin reform bill passed by the House with the backing of Pres. Eisenhower, rather than the Kennedy-Ervin bill adopted by the Senate.

• **For Both Sides**—Where the Wagner Act protected the union's right to organize and the Taft-Hartley Act helped the employer in dealing with unions, the labor reform bill of 1959 will safeguard both management and workers against the union leader. It has two principal features:

• It gives the union member new legal weapons to fight abuses by his leaders—thus strictly curtailing the union official's power.

• In its amendments to Taft-Hartley, it outlaws pressure tactics used every day against employers by union organizers trying to sign up a shop.

• **Two-Year Fight**—The new legislation marks the culmination of two years of effort to stem labor racketeering exposed by the McClellan investigating committee. It contains many stringent provisions aimed at established practices of organized labor.

In detail, the legislation hardly inhibits the activities of the big integrated unions and their relations with big integrated business. There are irritations to the Walter Reuthers and Dave McDonalds, but mostly they are emotional or philosophical irritations. But the bill hits deliberately at union power tactics in other industries—trucking, construction, retailing, small shops—and at the cozy agreements that are sometimes mutually attractive to both sides.

Hard bargaining is still permissible; the strength of unions and employers can still be tested by use of the strike.

• **Provisions**—In essence, the legislation provides:

A bill of rights for union members. The right to oppose the union leader in the union hall or by secret ballot is backed by the right of a member to sue him in court. Or, if the member's rights are restricted through violence, the union official is subject to criminal penalties. Elections must be held by secret ballot at least every five years.

New rights for states to handle labor disputes. State agencies and courts have been barred from even small labor-management disputes in interstate commerce. Now the states can step in and settle them.

A curb on union pressure against an employer to force his workers into the union. The union organizer must now make his appeal directly to the worker. The employer cannot be forced into signing a union contract without support by a majority of the workers. This generally outlaws organizational picketing. This hits the Teamsters practice of top-down organizing, in which the employer is forced to sign a contract without giving his employees a chance to decide whether they want to join a union.

A ban on forcing an organized employer to help the union in disputes with other employers. This now becomes an illegal secondary boycott. The employer is barred from agreeing, under pressure or otherwise, to allow his workers to refuse to handle non-union goods. This will scuttle the "hot cargo" contract.

The bill does make a special exception for the garment industry, which, in a sense, operates on the boycott principle. To keep garment operators from subcontracting to non-union shops, garment industry contracts provide that such shops must be organized. This practice eliminated the sweatshops in the industry, and the bill accepts this as a good system in this one industry.

Organizational picketing and hot cargo leverage are pressure tactics used particularly effectively against small businesses.

They are not problems in the automobile, steel, or other major industries. They are not the devices of a Walter Reuther or David McDonald who deal with General Motors or U.S. Steel. They are the tactics primarily of a Jimmy Hoffa or other union leaders who deal with many small employers.

• **On the Just and Unjust**—While the labor bill is directed at union racketeering, it hits at many practices now used by the more respectable unions. For instance, craft union members—bricklayers, plumbers, and the like—have traditionally refused to work next to a non-union worker. They also refuse to handle products made by non-union labor. Under the new bill such devices can't be written into a contract.

The new laws will also limit a union's use of the picket line to organize the unorganized shop. It will bar unions from picketing to advertise that a store is handling non-union products.

In essence, the bill will keep unions from using their pressure on an employer to help them in a drive against non-union labor and non-union products. It will require them to organize directly by appeal and persuasion of the unorganized workers.

• **Impact on Bosses**—Employers, too, will be affected by the 1959 reform law. All employers will be required to file an annual report with the Secretary of Labor stating all loans made to union officers or members, all payments to members that would influence their rights to organize and bargain, and all payments to labor relations consultants regarding this right to organize.

Unions are required to make more extensive reports, including the union's loans to business enterprises. And union officials must report any financial transactions that might involve a conflict of interest.

• **Kennedy's Objection**—The last stumbling block to a compromise in the conference committee was Sen. Kennedy's final attempt to include an amendment sought by the building trades unions. He had traded away several points earlier but held on to a demand that construction unions be eliminated from the secondary boycott ban.

What he wanted was to permit a single craft union to strike a subcontractor on a construction project involving many other subcontractors. House conferees refused to buy this.

The final agreement came when Kennedy agreed to drop the provision in exchange for another building trades amendment: one that will permit prehiring agreements between unions and contractors. It would also require craft workers, under a union shop agreement, to join in seven days, compared with the 30-day waiting period throughout industry.

Sea-Going

U.S., French, Russian research ships, in New York for oceanography meeting, each has own methods for underwater study.

Bristling with the latest scientific equipment, seven of the world's newest ocean-going research ships—three of which are shown in the pictures—docked in New York this week. Occasion for their arrival was the First International Meeting on Oceanography, sponsored by the American Assn. for the Advancement of Science, UNESCO, and the International Council of Scientific Unions.

• **Russia's Entry**—From a scientific viewpoint, the laboratories on the ships present an interesting and significant contrast. Biggest and shiniest of all were on board the Mikhail Lomonosov, just in from a ocean-mapping cruise in the North Atlantic.

Pride of Russia, the Lomonosov boasts immaculate labs, as well as the very latest in shiny new equipment. Housed in separate, sterile-looking laboratories are row upon row of the various geological and biological equipment used to investigate rock specimens and underwater animal life, and acoustical sounding equipment to chart underwater terrain.

For the visiting conference delegate from the U.S. or Great Britain, however, there was little (beside the presence of women as crew members) to goggle at. As in so many other scientific fields, the Russians appear to be concentrating on perfecting and producing in quantity oceanographic equipment which in itself is fairly standard. From a technical standpoint, this equipment is sound. But it rarely represents independent research thinking.

• **French Profusion**—The French research ship, the Calypso, is the antithesis of the immaculate and polished Lomonosov. Captained by the world-renowned oceanographer (and skin-diver), Jacques-Yves Cousteau, the tiny converted mine-sweeper is literally crammed helter-skelter with electrical and underwater camera equipment.

Although space on the Calypso is at a premium, Cousteau demonstrated his latest underwater invention—a "jet-propelled diving saucer"—(picture, lower right corner) designed to carry two men down to depths of 1,000 feet under the surface of the ocean.

Many among the 700 scientist-delegates had serious questions as to the practicality of the saucer. But, to a man, they seemed impressed by its ingenuity.

• **American Shortcuts**—American ocean-



RUSSIAN ocean research ship, 330-ft. Mikhail Lomonosov, has 11 women among its 41 scientists, and an array of standard devices like this acoustical sounding equipment.



AMERICAN scientists on Josiah H. Gibbs, biggest of U.S. ships, inspect photographic recording oscillograph used in many measurements; at left, banks of electronic equipment.

Labs Show Styles of Three Nations

ographic research ships represented a third type of approach to scientific research. In detail, ships like the Chain, the Atlantis, and the Pathfinder certainly differ. But they're remarkably alike in that their laboratories combine an advanced degree of practicality with a liberal use of electronic shortcuts.

U.S. oceanographic research ships would probably never win an award for design and planning. But they look like good places to get work done.

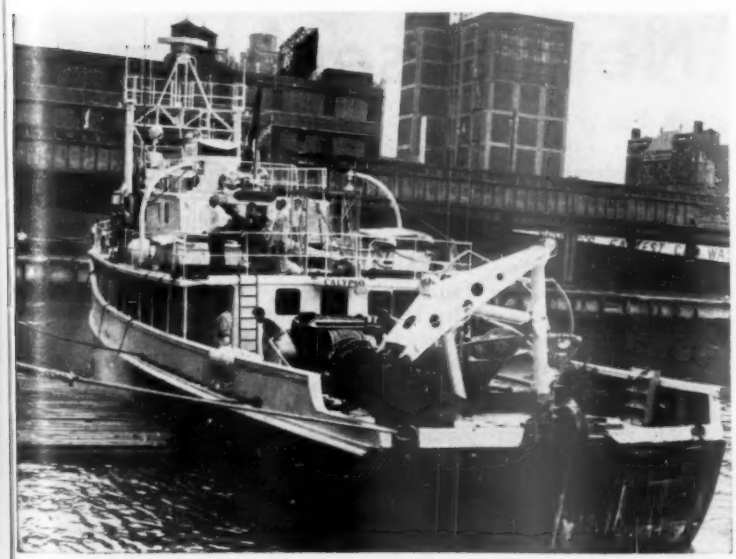
• **Theoretical**—Apart from a viewing of some of the ships currently being used to probe what some scientists like to call the "last of the earth's frontiers," there were meetings on all phases of the latest findings in underwater research. More than 500 papers, presented simultaneously in English, French, and Russian, revealed great progress in pinning down a number of theories.

In the light of recent experiments, for example, there is little argument any more about the continental drift theory. Dr. Roger Revelle, president of the Oceanographic Congress and director of the Scripps Institution of Oceanography, sums up scientific consensus on this subject. "The continents are breaking apart and the oceans are taking form right before our eyes," he says.

This shift is going on at an extremely slow pace. But the fact that it's happening and happening right now gives scientists an almost unique opportunity to study how such changes come about. Continuation of research along such lines should someday turn up precise and detailed descriptions of how the earth itself came into being.

• **Industrial and Military**—From an industrial standpoint, current oceanographic research has interesting angles too. The history of sea water and stratigraphy of the deep sea, for example, should someday reveal important data about the distribution of oil as well as minerals beneath the earth's top crust. Deep-sea circulation could add vital data about such divergent problems as underwater atomic disposal and sea bottom food cultivation.

Militarily, of course, underwater research has important defense implications. In the cracks and fissures of some of the underwater mountain ranges, tomorrow's missile-carrying atomic submarines will be lurking. Charting such terrain holds virtually the same potential importance for defense thinking today as plotting enemy aboveground targets did in World War II.



FRENCH Calypso, a converted mine-sweeper, is crowded with gear; at right of stern transom is diving platform for lowering skin divers.



COMMANDER of Calypso, Capt. Jacques-Yves Cousteau, shows how he enters his "jet-propelled diving saucer," a two-man underwater observation chamber for sea study.



DEVICE for taking soundings is checked by French scientist; it's in Calypso's only lab, which also serves as chart room.



WASHINGTON—Pres. Eisenhower leaves pledging not to retreat on principles "as we continue search for peace."



BONN—German Chancellor Adenauer, leading President before crowd at airport, gets assurances of strong U. S. stand on Berlin.

Europe Greets "New" Eisenhower

President's personal diplomacy gives Europe different view of America, and launches a fresh phase in U. S.-Soviet relations.

In 10 days of face-to-face talks with Western Europe's top leaders (pictures), Pres. Eisenhower launched a new phase in U. S. relations with the Soviet Union. Through one-man, personal diplomacy, fully backed by our Allies, he hopes to lay the groundwork with Soviet Premier Khrushchev for some relaxation of long-standing East-West tension.

The first stage—Eisenhower's grueling swing through Western Europe—amounted to a triumphal tour. In his press conference in Bonn, his TV fireside chat with Prime Minister MacMillan, and his tour through the flag-bedecked streets of Paris, the President gave the appearance of a new man. For Europeans, he created the image of an America now ready to lead the West energetically and intelligently into a period of difficult negotiations.

This is quite a change from even six months ago. From the European viewpoint, Eisenhower seemed to have slid into the background of U. S. foreign-policymaking. The British, for one, felt that the late Secy. of State Dulles represented the true picture of America—a country somewhat legalistic and unimaginative in its approach to world problems.

Today, Eisenhower clearly is playing the central role in formulating foreign policy. And at least to Europeans, he seems able to mix firmness with flexibility in wrestling with East-West problems.

• **A Risk, Too**—Yet Eisenhower's venture into personal diplomacy has its risks. His European trip showed that. Said one Washington official: "There seems to be a dangerous popular inclination building up in Europe—and to a lesser extent here—to believe in miracles."

Despite enthusiasm over the upcoming Big Two talks, neither the U. S. nor Russia has altered its stand on basic issues dividing East and West. Khrushchev this week again called on the U. S. to scrap its overseas bases as part of any disarmament agreement. Eisenhower, on his part, stated that the U. S. would not back away from its firm position in holding West Berlin.

Besides, even if the Big Two talks prove encouraging, they will only set the tone for more protracted negotiations—including a possible Big Four summit conference—that might lead to some settlement of East-West differences.

I. A More Hopeful Setting

Eisenhower's new effort to calm world tension looks like a throwback to the Geneva summit meeting in 1955. On balance, that meeting was a failure. But events over the past four years have so altered the U. S.-Soviet picture that the new stage of negotiations seems to offer more hope.

In 1955, Soviet leaders were still jockeying for power in the aftermath of Stalin's death. At Geneva, the Western powers dealt with two men—Premier Bulganin and Communist Party boss Khrushchev. As a political price for holding the summit meeting (suggested two years earlier by Sir Winston Churchill), Moscow agreed to withdraw its troops from Austria.

• **Khrushchev's Rise**—Soon after the summit, Khrushchev began consolidating his power. At the 20th Communist Party Congress in early 1956, he shook Russia—and the world—with his "de-Stalinization" speech. The end of the so-called "cult of personality" looked good to the West. Russia was loosening up. Yet the year 1956 turned sour. In Stalin-like fashion, Khrushchev crushed the revolt in Hungary. The U. S. split with Britain and France over their attempt to retake the Suez Canal and topple Egypt's Pres. Nasser.

In 1957, Russia boosted its prestige enormously with its Sputnik launching. The West suddenly recognized what many observers had long known—that Russia was making rapid technological and industrial progress. By then, Khrushchev was solidly in power, practicing his free-wheeling brand of off-the-cuff personal diplomacy and trying to cow the West with threats of nuclear missiles.

• **Prelude to a Visit**—Last year, bragging about the Soviets' lead in the missile race, Khrushchev probed for an invitation to visit the U. S.—his No. 1 opponent. As the U. S. speeded missile developments, it became increasingly clear that East and West were heading toward a nuclear stalemate. In the broad view, Communist moves in the Middle East—in Iraq, for instance—were minor.



LONDON—Bobby clears way among Londoners for Eisenhower and Prime Minister Macmillan, who express agreement on major points.



PARIS—Pres. de Gaulle welcomes Eisenhower for final visit, and effort to calm France's feelings on Algeria and NATO.

and U.S. Wins New Strength

The key problem was that both the Communist bloc and the Western Allies were living in a state of tension, with no relief in sight. Khrushchev's bold ultimatum on Berlin last November emphasized that fact.

MacMillan's trip to Moscow in late February and early March helped open the door to full-scale negotiations. By early August, in the wake of the Geneva foreign ministers' conference, Eisenhower was seizing the initiative. Suddenly, he announced the exchanges with Khrushchev—and, as prelude, a trip to Western Europe.

II. Results of the Swing

Ostensibly, Eisenhower's European tour aimed at reassuring NATO leaders that he would not make any "special deals" with Khrushchev. More important, he hoped to soothe bickering among our Allies and show U.S. sympathy for their problems.

As it turned out, the Bonn and London stopovers went like a breeze. And, at midweek, it looked as though even talks with Pres. de Gaulle—the most difficult of all—would run smoothly.

In Bonn, Chancellor Adenauer got all sorts of worries off his chest, such as doubts whether the U.S. would stick by West Berlin. Eisenhower reassured him on this point, even indicated support for arming West Germany with the latest weapons. Adenauer, on his side, made no demands for equality with France in NATO decision-making. The President's tempering influence was apparent in Adenauer's expression of hope for "neighborly relations" between West Germany and Communist Poland.

In London, Eisenhower had smooth sailing all the way. Macmillan, of course, had been plugging the idea of top-level talks ever since his trip to Moscow. And Britishers, besides, were happy to welcome back the man whom they had admired as Supreme Commander during World War II. Still, Eisenhower made a hit on his own merits. He differed with Macmillan on the conditions necessary for holding a Big Four summit meeting. But the British regarded him as firm—and not stubborn—in requiring clearly conciliatory moves on Khrushchev's part before agreeing to summit talks.

In Paris—at midweek—Eisenhower seemed sure to calm France's ruffled feelings on two key problems: U.S. attitude toward Algeria, and France's position in the Western alliance. In a warm atmosphere, far different from the cool, sometimes bitter comments about the U.S. of a few weeks ago, Eisenhower exchanged views with de Gaulle for some nine hours.

Washington has followed a middle-of-the-road policy on the five-year war in Algeria—neither supporting nor openly criticizing France. On the heels of a three-day inspection tour of Algeria, de Gaulle at midweek appeared ready to discuss with Eisenhower a "liberal solution" on Algeria. De Gaulle's proposal might entail a special status for Algeria within the French Community—with full independence the more distant goal.

If Eisenhower makes a deal to support French policy on Algeria, then de Gaulle may be more agreeable on the second problem: France's position in NATO. A year ago, de Gaulle sent his famous two-page memo to London and Washington in which he demanded a bigger voice for France in formulating Western policies around the world. In the months since, de Gaulle has pulled the French fleet out of NATO and demanded control over any nuclear weapons based on French soil.

But at midweek he seemed more inclined to mend fences with Eisenhower—in return for minor consessions. For instance, he would like the U.S. to help France's lagging development of missiles.

(De Gaulle evidently does not now expect U.S. help on developing actual nuclear warheads.)

• **Key Points**—While Eisenhower during his trip mostly covered old ground, he did, however, emphasize several key points:

• The West wants peace—and it will be primarily Khrushchev's fault if a settlement is not reached.

• A Big Four summit meeting may make sense—but only if Khrushchev does not demand major concessions from the West in talks with Eisenhower.

• Russia should join with the U.S. and its Allies in a cooperative effort to aid underdeveloped countries.

As prelude to the Big Two talks, the Red Chinese moves in Southeast Asia and along India's borders are not a happy sign. But if these troubles continue, it's likely Khrushchev will use his influence to try to quiet them—in order to clear the atmosphere for his talks with Eisenhower.

Is Steel Ready to Compromise?

● The steel industry returns to deadlocked bargaining still insisting its workers should get no wage raise this year.

● But settlements in rubber and meatpacking have included wage increases that may influence the talks in steel.

● It's rumored that the companies may be willing to bend a little on their wage stand—and USW on its demands.

Steel companies went back into union negotiations at midweek, after a week's recess, with one of their key positions weakened.

The industry has been sternly insisting on a wage freeze in 1959. But this stand is in some peril from wage settlements that are expected to set patterns in the meatpacking and rubber industries—and that reinforce United Steelworkers demands for more pay this year.

At the same time, in Detroit, auto manufacturers seem to be less ardent in their support for the steelmakers. Despite high inventories, the auto producers fear shortages of steel if their new models win quick public acceptance.

• **Detroit's Questions**—The auto companies—along with other major steel customers—were solidly behind the steel industry in the early negotiations for a "noninflationary" contract (BW—Jul. 4'59,p13). There's little doubt that they still are—in spirit. But questions about the steel industry's public stand against a pay boost in 1959 are now being raised in Detroit auto circles.

"How are you going to get any settlement without a realistic offer on the table?" one auto executive asked last week. "I was shocked when the steel industry let workers walk out without making a money offer—one with conditions attached. It added weeks to my estimate of how long this strike would go on."

At the start of steel negotiations in May, auto manufacturers and other rooters for the steelmakers figured the industry had a money offer ready for the right time and circumstances—a price for cost-saving union concessions.

In time, the steel industry put an offer on the table, but it was for small "fringe" concessions this year and a possible "moderate" wage boost in 1960. The USW was asked to earn this through a number of contract revisions. The union refused to consider these under any such circumstances.

• **Change Considered**—Recently, signs of some bending have appeared in the industry wage position—and in the union. A few days ago, in Pittsburgh, a steel industry source acknowledged that "the idea of a change in the industry position has been considered, at least."

Perhaps the industry will continue firmly set against any 1959 wage boost unless it is forced into one by some form of strong government intervention. There's no doubt that it is deadly serious about avoiding any terms that would increase its net employment costs. For the sake of this goal, it has already suffered the heavy losses of a strike now almost two months old: This investment is so great that the industry feels it has to win; its stakes are too great to forfeit.

But the USW's stakes are equally great. In the face of spreading wage settlements in the year's median range of 8¢ to 11¢ an hour, the union's troubled Pres. David J. McDonald can't settle for nothing in pay this year.

Thus the problem is how and whether strongly fixed positions can be compromised, without bringing the government into the situation.

• **Wave of Settlements**—Early this week, rumors spread through industrial centers that further discussions by the parties in the dispute might achieve the necessary compromise. There is no evidence that the rumors influenced deadline bargaining in rubber, meatpacking, glass container, and other industries, but for whatever reason, in those industries peace suddenly broke out:

• A nationwide strike of packinghouse workers was averted through a wage settlement in a dispute apparently tightly deadlocked a week ago.

• Hours before a walkout deadline, an agreement on wages in the rubber industry eased the way to labor peace for major companies.

• Strikes in glass container and other industries were delayed by unions, formally or otherwise, as deadlocks in wage negotiations showed unmistakable signs of breaking.

• And, in smaller bargaining areas, scattered settlements ended strikes or averted threatened walkouts (page 100).

The settlements, which in time will affect more than 250,000 workers, ended a threat of deepening strike problems for the economy, just beginning to show strain from the steel shutdown.

• **Sore Spots**—Troubles still plague some industries, however, and are looming in others. Nonferrous strikes idling some 65,000 workers show no signs of breaking. Steel fabricators employing 3,500 were shut down as the USW broadened its walkout. East Coast dock negotiations, with a Sept. 30 deadline, run into complications as a probe of suspected hoodlum and criminal influence on the New York waterfront interrupted contract talks.

On the West Coast, shipyard strikes under way in the San Francisco area threatened to spread all along the Pacific Coast to Canada; workers, mostly in the crafts, rejected an offer by 131 shipbuilding and repair companies for a two-year contract with 7¢-an-hour raises this year and next and another dime in "fringe" benefits.

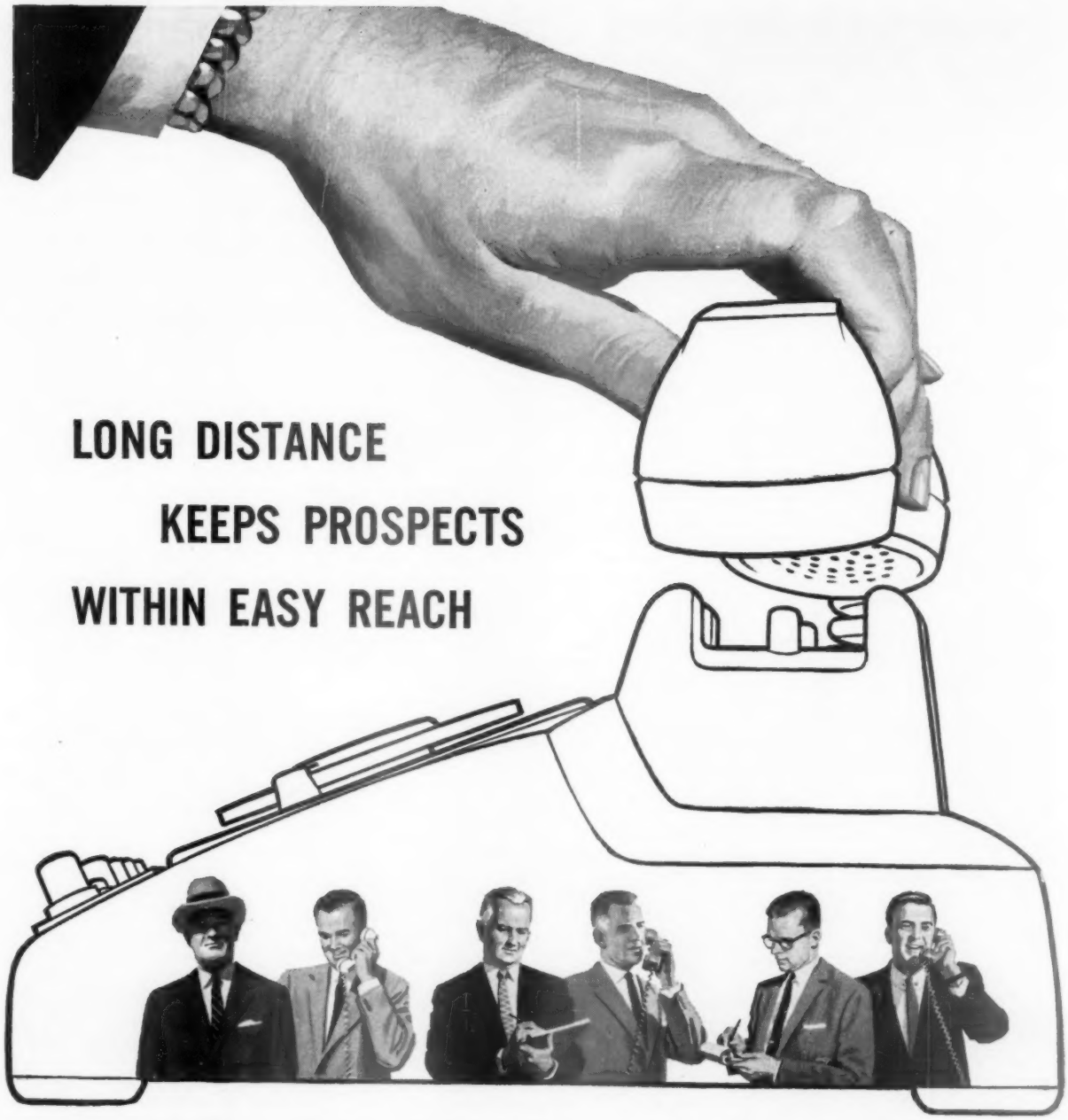
And railroad unions, representing some 700,000 workers, demanded a 25¢-an-hour raise and other concessions and refused to consider work-rule revisions asked by major carriers. The unions offered to scrap the cost-of-living escalator in contracts that expire Nov. 1 in return for a raise. Also in return, the unions would not be asked to sign a long-term contract that would bar them from asking for wage increases or other "necessary" revisions of labor agreements. Carriers rejected this.

• **Federal View**—The easing of the bargaining deadlocks in industry generally gave the Administration and its agencies more freedom to concentrate on the steel deadlock.

Over the last weekend, Labor Secy. James P. Mitchell reported that government surveys found "relatively slight" effects of the steel shutdown through August and "steel supplies adequate to maintain production at approximately normal levels through mid-September."

But, he noted, shortages of specialty steel may result in rises in unemployment in about two weeks. "Growing and possibly serious shortages" of steel are anticipated later.

The government's plan of campaign then—if a "national emergency" situation exists—is to invoke the Taft-Hartley Act to end the steel strike, probably in about a month. Since neither the steel industry nor the union wants T-H invoked, that possibly sets a deadline for a negotiated settlement. Such a settlement might clarify steel contract language on local work practices in ways



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that would save the industry money—but do it without taking too many concessions from the union. And it might give the strikers wage gains in line with those of rubber and packing-house workers.

• **Pattern in Rubber**—The Goodyear Tire & Rubber Co. and the United Rubber Workers negotiated a wage settlement in less than two weeks of hard bargaining, and other rubber companies fell into line in a day, settling for the same amount: an across-the-board 10¢-an-hour wage increase.

The peaceful settlement—which raised the average hourly earnings of Goodyear's union employees to $2.72—was in sharp contrast to the negotiations on noneconomic matters last spring. Strikes then shut down the Firestone Tire & Rubber Co. and the B. F. Goodrich Co. for a record eight weeks, the United States Rubber Co. for three.

URW first asked Goodyear for 15¢ an hour and two more paid holidays, and called for a fund to ease inter-plant and intra-plant wage differences. The settlement for a dime more was about average for the industry over the past four years. The companies raised pay 14¢ in 1955; 6.2¢ plus 3¢ an hour for a supplementary unemployment benefits plan in 1956; 15¢ in 1957, and 8¢ in 1958.

• **Pattern in Meat**—The break in deadlocked negotiations in the meatpacking industry came when Armour & Co. wound up a long weekend of intensive bargaining with its two unions—separately—with agreements on two-year contracts providing 22¢ in wages and fringe benefits both this year and in 1960.

Other major packers continued negotiating with the unions at midweek. The Amalgamated Meat Cutters & Butcher Workmen and United Packinghouse Workers represent some 175,000 workers throughout the industry.

Under the Armour contracts extending to Sept. 1, 1961:

• Employees will receive an 8½¢-an-hour increase in pay and added benefits valued at 6½¢ an hour, effective now.

• On Sept. 1, 1960, they will receive another 6½¢-an-hour boost in pay and a half-cent an hour more in fringe benefits.

• **Fringe Benefits**—Among the fringes, financed through the two-year 7¢-an-hour cost, are liberalized pensions—$2 a month for each year of service up to 30, instead of $1.50 a month; three week vacations after 12 years instead of 15; additional medical benefits; and the establishment of a company-financed program aimed at easing the problems of unemployment caused by automation.

Red China Trims Its Sails

Peiping admits that its ambitious economic development program is way behind schedule, and is starting serious political troubles in Communist Party ranks.

Communist China's vaunted program for high-powered economic development is moving far slower than Peiping had expected.

With remarkable candor, Peiping last week confessed that its 1958 statistics on the "great leap forward"—in grain, textile, and steel output—were grossly exaggerated. It admitted that this year's dramatic targets would have to be radically modified.

At the same time, two much-touted schemes—the workers' communes and backyard "steelmaking"—have failed to meet expectations. The situation is so bad that Peiping's prestige has been seriously damaged. A drastic purge of Communist ranks may be in the offing.

• **Grey Picture**—No one is sure how these troubles at home fit with Red China's aggression in Laos and along India's borders. Because of economic difficulties—says Far East observers—the high command in Peiping may want to divert and dazzle the Chinese people with military successes. On the other hand, flagging economic development may help to keep China from going too far in its military adventures.

In any case, Premier Chou En-lai last week painted a grey picture of China's recent economic progress:

• Steel output is way behind schedule. Output in 1958 reached only 8-million tons—not the 12-million that Peiping had been claiming. This year's goal will be revised downward from 18-million to 12-million.

• Crops in 1958 were not so good as claimed. It was a bumper crop—but 40% less than announced earlier.

• **Out of Whack**—Far East observers have long noted that Peiping's statistics seem out of whack with economic conditions inside China—though they never anticipated Peiping's extraordinary confession last week. Clearly, the economic targets for 1958 and 1959 were set too high. Beyond that, the Chinese economy has appeared to be badly disorganized. It is a "planned economy without plan," as one observer puts it.

In steel, for instance, Peiping had counted heavily on village pig iron ovens to produce raw material for blast furnaces and rolling mills. Now it says it won't include village output in new steel targets. Main problems: The pig iron is too variable in quality, and shipments from remote areas to industrial centers aggravate already existing transportation bottlenecks.

In agriculture, the present drought and bad floods earlier this year took their toll of crops. Still, experts on Red China believe that in view of the country's record of natural disasters, it is surprising that Peiping did not plan somewhat for these emergencies.

• **Commune Woes**—The commune program has done more to upset than to build the Red Chinese economy. A year ago, Peiping decreed the organization of communes (BW—Sep.20'58, p38). It herded the entire farming population into highly centralized organizations. It set out to destroy China's traditional concepts of private life—as well as private property.

By the time the Communists brought the communes under their thumb, they had ruined production of many sideline crops—most of them export commodities such as tung oil and bristles. That, coupled with general economic chaos, helps explain the halt in Chinese exports to Southeast Asia late last year.

There's even some evidence that the communes have become the economic troublemaker that Soviet critics had predicted. Peasants frequently have slaughtered their farm animals, stopped all attempts at personal savings, and slowed their work pace—even with threats of reprisal from above. Consumption in rural areas seems to have increased rather than decreased—as Peiping had hoped. And the acute scarcity of manufactured goods has spurred inflation, as far as that's possible in a police state.

• **Unrealistic Goals**—With all this, the "great leap" propaganda has imposed what observers consider an intolerable burden on factory and farm managers. Unrealistic output targets have led industries to cross up each others' efforts in a wild scramble to keep up. In fact, fear of not meeting goals evidently drove Communist Party flunkies into falsifying statistics. Thus, until recently, Peiping had a pretty picture on paper that did not jibe with the economic facts.

• **Party Rifts**—Most Far East observers expect Red China's internal problems to get worse. That's partly because Peiping, under an agreement recently signed with Moscow, will have to boost exports to the Soviet bloc as repayment for increased amounts of aid for China's heavy industry. This week, Red Flag, the Communist Party journal, even admitted that China's economic troubles are causing serious rifts in the top ranks of the party.



Cable tool rig lowers tubing into brine well. Photo by Loebel.

International adapts oil-drilling technique to "bring in" new brine wells

Mining engineers and geologists at International Salt Company have found a new, accurate method of pinpointing underground brine cavities. Called directional Hydraulic Fracturing, the method was originally developed by the oil industry. It represents the first major advance in the hydraulic mining of salt in over a century.

In Hydraulic Fracturing, two holes, as far apart as 1,000 feet, are drilled deep into a salt bed. Water is forced down one hole under high pressure (up to 5,000 psi). The salt bed fractures rapidly toward the second hole, or target well. Under continuing pressure, brine is forced horizontally along this fracture into the target well and is then pumped to the surface for evaporation.

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In Business

• • •

Domestic Affiliates of Jersey Standard To Be Wrapped Into a Single Package

Standard Oil Co. (N. J.) announced at midweek sweeping plans to consolidate all its domestic producing, refining, marketing, and marine operations into a single company, Humble Oil & Refining Co., a new Delaware corporation to be headquartered in Houston. The consolidation plans are similar to recent moves by other major oil companies.

Among the Jersey affiliates to be put under the wings of the new company will be Esso Standard Oil Co., Carter Oil Co., Oklahoma Oil Co., and Pate Oil Co. All these organizations will operate as divisions of Humble. Oil industry observers feel that **this new move by Jersey Standard may pave the way for marketing of the company's gasoline and other products—possibly under one brand name—in all 50 states.** Currently, Jersey affiliates market only in some 35 states.

In the past few years, Jersey has moved toward this goal by purchasing companies such as Pate and Oklahoma to penetrate areas in which it had not previously marketed.

The first step in the proposed consolidation will be to turn Humble Oil & Refining Co. of Texas, an existing affiliate, into a Delaware corporation. Next, Jersey Standard will gain full ownership of Humble (it now owns 98% of the stock) by an exchange of shares. Finally, there will be a merger of Carter, Esso, Pate, and Oklahoma Oil into Humble.

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Michigan Fattens Tax Revenues But It May Prove Unconstitutional

Michigan's seven-month stalemate over boosting state taxes moved this week from the legislature to the State Supreme Court. The court will have to decide whether the legislature's way out of a fiscal dilemma is an unconstitutional evasion of a tax limit.

In special session last Saturday night, the Republican-controlled Senate and the evenly split House agreed on a tax package to yield $128.5-million a year. **The key item is the GOP-backed increase in the "use tax" from 3% to 4%.** It alone would yield $120-million.

The use tax, adopted in 1937, is even broader in its application than the sales tax, adopted in 1933. And it isn't mentioned by name in a 1954 constitutional amendment that limits the sales tax to 3%. Moreover, proceeds can go to the hard-pressed general fund, whereas sales taxes must go two-thirds to schools and one-sixth to municipalities.

Republicans in the legislature fought for this solution of the revenue problem rather than Democratic Gov. G. Mennen Williams' proposal of a corporate income tax. **They argued successfully that higher taxes on business would hamper economic growth** (BW—Aug.29'59, p104).

As retailers this week began to collect 4% on sales—under the "use," not the "sales," tax—Gov. Williams showed he isn't giving up without a fight. His attorney general, Paul L. Adams, joined private plaintiffs in a suit to test the constitutionality of the tax.

• • •

GM Shuffle Moves Executives Farther Up the Line of Succession

General Motors Corp.'s board of directors this week made the first moves in a long-range checker game intended to work more executives toward the top (BW—Apr.18'59,p142). The board:

- Reestablished the post of "chief of staff" and gave it to Executive Vice-Pres. L. C. Goad, who has been in charge of automotive and parts divisions.
- Elected two new executive vice-presidents—Sherwood E. Skinner, automotive and parts; Cyrus R. Osborn, engines, appliances, and foreign.
- Promoted a divisional vice-president, Nelson C. Dezendorf, to group executive and elected him to the board. His group includes some divisions formerly under Osborn and Vice-Pres. Roger M. Kyes, who moves from the Dayton, household appliances, and GMC truck group over to the accessory group to succeed Skinner.
- Promoted 40-year-old Richard L. Terrell to a vice-presidency and a place as general manager of the Electro-Motive Div., succeeding Dezendorf.

These actions are regarded as part of a careful plan to rearrange GM's management structure more in the pattern followed by Alfred Sloan and Charles E. Wilson.

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Business Briefs

Dresser Industries, Inc., which for want of a high-speed drill bit suspended work on a Russian turbodrill (BW—Aug.22'59,p38), said this week that it hadn't paid any money to the Russians. Instead, the company said, the agreement called for payment of royalties on any turbodrills sold or used.

Proposed merger of **Chemical Corn Exchange Bank** and **New York Trust Co.** (BW—Jun.6'59,p26) this week got the blessing of G. Russell Clark, New York State superintendent of banking. However, the Federal Reserve must still approve New York Trust's seven offices as branches of the new bank, which would rank fourth in the nation, with slightly over $4.3-billion in assets. Chemical Corn expects this approval shortly.

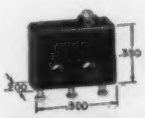
This week's final report by **the Borden Commission on Canada's energy resources** urges Canadian oil producers to step their output up to efficient levels and to find greater markets for their crude, especially in the U.S., but it recommends against government aid to build an oil pipeline from Alberta to Montreal. Instead, it says, more oil should be put into existing pipelines in the West, across the border into the U.S.

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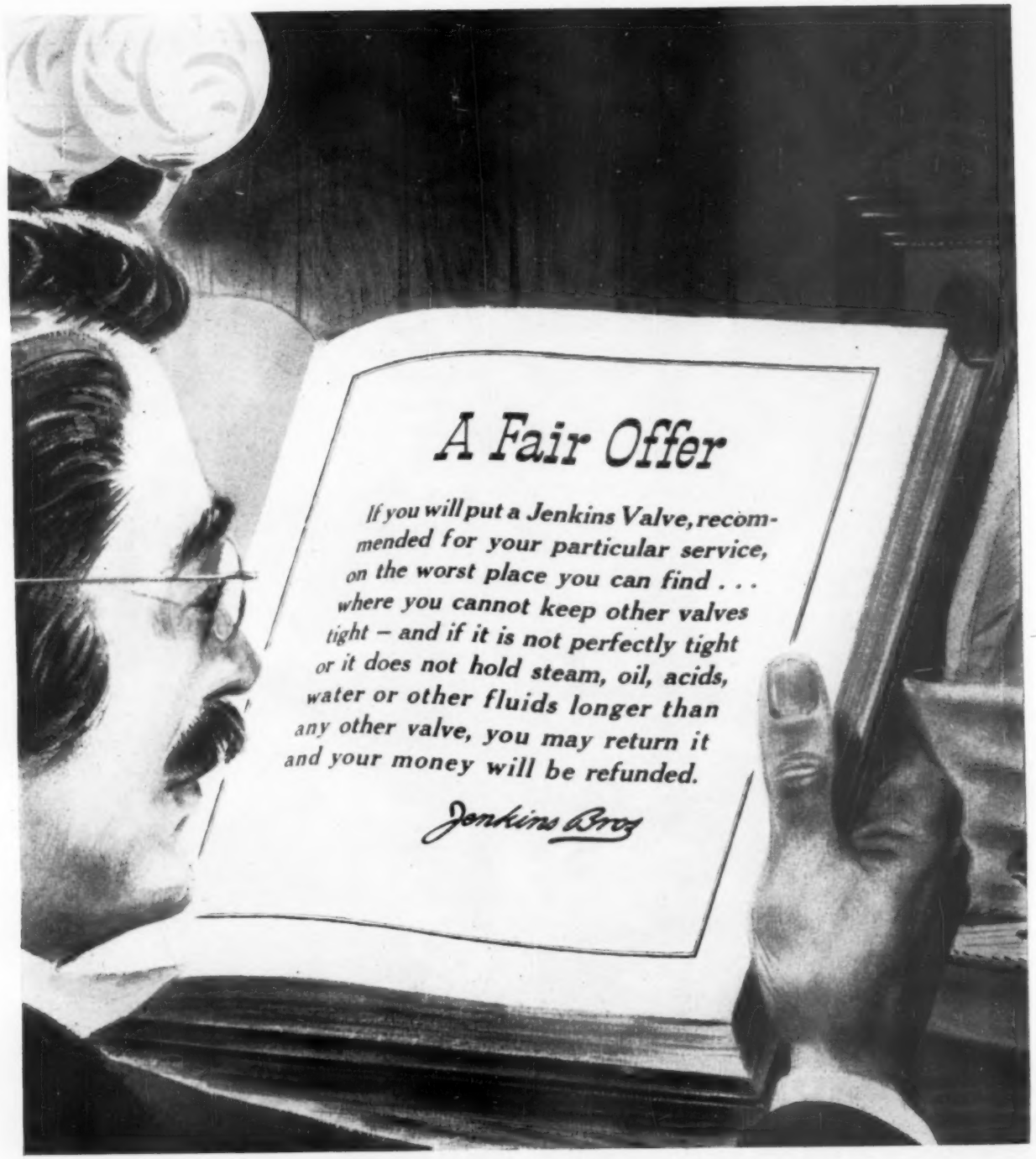


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WASHINGTON OUTLOOK

WASHINGTON BUREAU
SEPT. 5, 1959



The capital is buzzing with talk about a special session of Congress.

The situation is iffy, but there is a real possibility that Pres. Eisenhower will demand that Congress reassemble to deal on his terms with one or more of several pressing problems.

Here is the inside figuring on some things that will affect the decision when the time comes for Eisenhower to make it.

Treasury financing and the cost of borrowing (page 26) is the big item.

There will be no action on it in this fading session. The Administration reluctantly gave up its last slim hopes that key Democrats would have a change of heart before adjournment and vote the key Eisenhower proposal. That is, of course, removal of the statutory 4¼% interest ceiling on long-term marketable government securities.

Look for a decision on a special session by early October.

The free world's central bankers are coming to Washington at the end of this month for the annual meeting of the World Bank and the International Monetary Fund. **It's** one to watch closely.

The most important thing about this affair will not show on the formal program. What is vital will be Treasury Secy. Anderson's behind-scenes appraisal of world confidence in the future stability of the U. S. dollar.

The Administration fears that Congressional stubbornness on debt management reform will be interpreted overseas as the signal for further inflation, a decline in the value of the dollar. This, in turn, could lead to heavy foreign drawdowns on gold. Foreign holdings of U. S. dollars and securities—potentially translatable into gold via central banks—amount to more than $18-billion.

If Anderson detects a wavering of foreign confidence, Eisenhower is ready to call a special session.

A special session would give Eisenhower the big advantage.

The issues could be isolated, spotlighted. In a regular session, with so much action on so many different problems, only an exceptional issue with broad popular appeal—for example, labor reform this year—can be singled out by the executive for successful application of crushing political pressure.

A "sitdown Congress" could still balk Eisenhower, but the odds would be against this happening. As Administration sources figure it, a special session would give a psychological lift abroad as well as at home—the most forceful possible assurance that the Administration will stand firm against further inflation.

An agenda for a special session could be broadened to include some other items.

Housing is one possibility. Odds are that Eisenhower will veto the bill now before him for decision (page 28). It contains most of the faults he found with the earlier Democratic bill that he vetoed. The President is being counseled to stand firm for only a simple extension of Federal Housing Administration mortgage insurance authority—and to call Congress back to get it, if Congress adjourns without bowing to the White House.

WASHINGTON BUREAU
SEPT. 5, 1959

Foreign aid appropriations also figure in special session talk among key Congressional Republicans and Administration sources.

Eisenhower asked nearly $4-billion. The House cut the figure to about $3.2-billion. The Senate is being deliberately slow in its work on the bill, holding it as a political hostage for the last days of the current session.

A furious fight about foreign aid is assured.

The President's victory over Congress on the public works bill this week guarantees that prospect. Some influential Democrats, frustrated by their inability to override the veto, are increasingly infuriated by Eisenhower's unyielding stance on spending. They threaten to take the rejected "pork barrel" bill and tack it onto the foreign aid appropriations measure. Then dump the tandem on the President's desk just at adjournment.

Such a tactic would be a challenge to Eisenhower to veto and call a special session for that reason alone, even if there were no other pressing problems. His close advisers say it's a challenge he would not let pass.

Eisenhower's latest veto victory could prove costly.

Some top Republicans think Eisenhower erred when he turned down the public works bill. They agree with his opposition to the 67 unbudgeted projects that provoked the veto, but point out he could have stopped these by merely holding back the money for them. The big GOP worry is that the net result will be new recruits now for the side that wants to trim the foreign aid program even more severely than the House. Privately, some GOP legislative chiefs say the veto timing could not have been worse—while the Senate Appropriations Committee is working on the foreign aid program.

—•—

The peace issue is being sharpened up for 1960 Presidential politics.

That is an inevitable byproduct of Eisenhower's European efforts, in the field of personal diplomacy. The Republican hierarchy is jubilant. Reduced to simplest terms, the GOP figures now it will have both peace and prosperity going as the prime issues for its 1960 ticket.

Vice-Pres. Nixon is the big gainer insofar as purely domestic politics is concerned. He has his own successful Russian tour behind him. Now, note that Eisenhower has asked Nixon to join him for the Khrushchev talks.

Republicans still have plenty of problems for 1960.

One concern is that the public may expect too much of the Eisenhower-Khrushchev negotiations and, once the glow wears off, take out their disappointment on the GOP ticket. This is a relatively minor concern. But it is one reason why top Republicans steadily caution against expecting more than some slight lessening of tensions between East and West.

Another problem is that Congressional control seems beyond GOP reach. There is no chance for the party to take over the Senate, where only one-third of the seats are up for grabs. Too many of this one-third are safely Democratic. The House, where all seats go on the election block, could theoretically go Republican. But the GOP holds only 153 seats now, and needs 218 for control. Privately, Republican leaders see little chance of a majority in the House. However, they are increasingly confident they can keep a Republican President for another four years.

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Packaging laminated wooden beams at Timber Structures, Inc., Portland, Ore.



LOW COST FLEXIBLE WRAP FOR SHIPPING AND STORING YOUR PRODUCTS

keep your Packaging Costs "On the Beam"

You don't have to be a manufacturer of construction beams to be able to cut packaging costs through the use of Sisalkraft flexible wraps. If your goods require protection from damage by water, moisture, dust, dirt, staining or rough handling, chances are we have or can design a durable wrap to do the job without "over-packaging".

Sisalkraft products are made by laminating together any number of materials to form a protective sheet. We can combine paper with paper, foil with foil, plastic film with plastic film or any mix of these. In addition, these combinations can be reinforced with amazingly tough fibers for extra strength, if needed.

If you would ask your shipping room head to write us, we will send information to prove how these products can cut costs for your firm. No obligation, of course. Please write c/o our main offices at Attleboro, Massachusetts.

SISALKRAFT

AMERICAN SISALKRAFT CORPORATION

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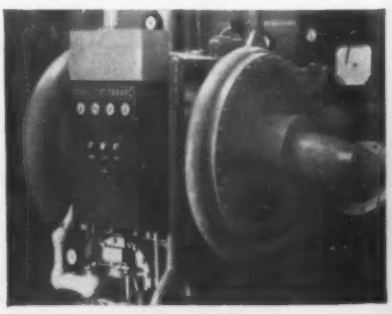
In Canada: Murray-Brantford Ltd., Montreal

reinforced paper, foil and plastics for construction, industrial packaging and agriculture



Better climate for better business! UniTrane air conditioning units like the one shown here provide individual climate control for each occupant of the new Heart of Atlanta Motel. These UniTrane units cool in summer, heat in winter, provide ventilation in every season.

Trane changes climates to order in buses and trains, ships and planes; heats and cools factories and schools, hotels and homes. For human comfort or industrial processing—*for any air condition*, turn to TRANE!

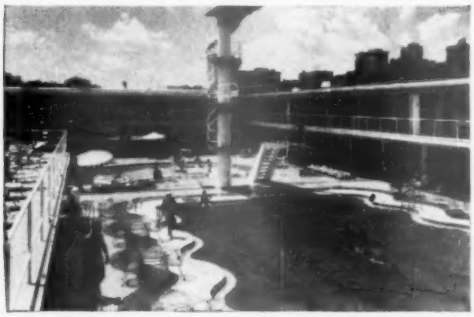


Talk to the men who know all 4 related fields . . . Air Conditioning

Chilled water for summer cooling is provided by this TRANE CenTraVac hermetic water chiller that paces itself to supply just the amount of cooling needed.

Good business climates cost less with Trane Air Conditioning!

Motels, hotels, apartments, stores and office buildings can create a better climate for profit by installing a TRANE Air Conditioning system that's so flexible it gives each occupant the climate he wants—and cuts the building owner's operating costs.



In the Heart of Atlanta Motel shown at left, one TRANE Air Conditioning system provides separate, individual climates for four buildings, 216 guest rooms. During periods of partial occupancy, operating costs are in proportion to the amount of air conditioning *actually being used*. And the individual room conditions may be varied by the occupant—without affecting the units in other rooms. Result: ideal climate for occupants . . . maximum economy for owners!

TRANE leadership in all phases of heating, cooling and ventilating assures you of superior design, peak performance, with *matched* equipment for any job.

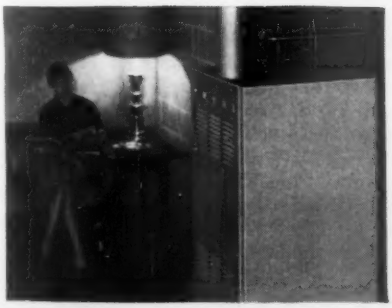
So when you plan air conditioning for any multi-room, multi-story building, plan for *better* air conditioning . . . a *better* return on your investment. Have your architect or consulting engineer talk to your nearby TRANE Sales Office, or write TRANE, La Crosse, Wis.

For any air condition, turn to

TRANE

MANUFACTURING ENGINEERS OF AIR CONDITIONING, HEATING, VENTILATING AND HEAT TRANSFER EQUIPMENT

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CLARKSVILLE MFG. DIV., CLARKSVILLE, TENN. • TRANE COMPANY OF CANADA, LIMITED, TORONTO
100 U. S. AND 19 CANADIAN OFFICES



Heating

Year-around comfort in one compact package! This TRANE Climate Changer heats and cools homes, stores and offices. Gas or oil-fired models in all types and sizes.



Ventilating

Ideal climate for learning in the modern school! TRANE Unit Ventilator has exclusive *Kinetic Draft Barrier* that stops drafts . . . ends hot spots, cold spots, sleepy corners.



Heat Transfer

Oxygen production, vital to defense and industry, utilizes compact TRANE Brazed Aluminum Heat Exchangers. Operating temperatures are often as low as 300° below zero!

MARKETING

Selling the Consumer On Need for "Seconds"

Like a hospitable hostess, U.S. industry is urging consumers to "have another; do." Such urging has helped shove back the barriers of saturation and has brought a plus business to such products as radios, cars, TV sets.

Now, businesses that hadn't actively sought the twin-product market are knocking at the gate:

• Douglas Fir Plywood Assn. is running a series of ads in the Saturday Evening Post. Its theme: Every family needs a second home.

• American Radiator & Standard Sanitary Corp. last year started pushing a second furnace. This year, Minneapolis-Honeywell Regulator Co., which had been selling multiple controls for some years, chimed in on the dual-furnace chorus.

• American Telephone & Telegraph Co. next year begins an all-out drive to sell, not just a second or third extension, but a second line—and a completely telephoned house.

Appliance makers so far have held back on this market, except in room air conditioners, radios, and TV sets. But some of them feel that plus business may be lurking in the next decade for a limited market.

• **New Status Symbol**—Douglas Fir Plywood Assn.'s campaign, started this summer at the consumer level, is an all-out assault on the double-product market. DFPA's idea is to sell people a vacation house in addition to the one they live in. It is slanting its pitch to the do-it-yourself carpenter, since plywood panels fit handily within his range of skills.

There are no good data on vacation houses. DFPA believes it's a bigger market than people might guess. It reckons cabin starts this year may run between 50,000 and 75,000.

W. E. Difford, managing director of the association, explains: With more leisure, people are looking for new kinds of fun. Consumers are fed up with cars as a status symbol, he feels. Waterways are fast becoming crowded. The vacation cabin may well be the next push.

• **Promotion Plans**—The industry has no illusions that it can build up this market fast. It may take two years, maybe five, to catch on. It started promoting the idea in the craft magazines and trade press about a year and a half ago. The response proved an eye-opener. In all, the promotion pulled in 179,000 requests for a copy of a brochure on leisure-time homes, and 57,000 requests for plans for a cabin.

The association has the answer ready: six plans, complete with blueprints and information for the "competent" home carpenter. Costs for materials range from $1,000 to $4,500. Most of the plans are set up so a family may build in stages.

• **Prefab Market**—Prefabbers are interested, too, says DPFA. Big National Homes Corp. expects to get into vacation homes and second homes. Last January, it began putting out do-it-yourself houses, ranging from $2,495 to $3,000, and a do-it-yourself lake cottage at $3,491. These will all be sold through dealer-builders. It expects the first-home buyers will be its biggest market here, but it has its eye on the second-house market, too.

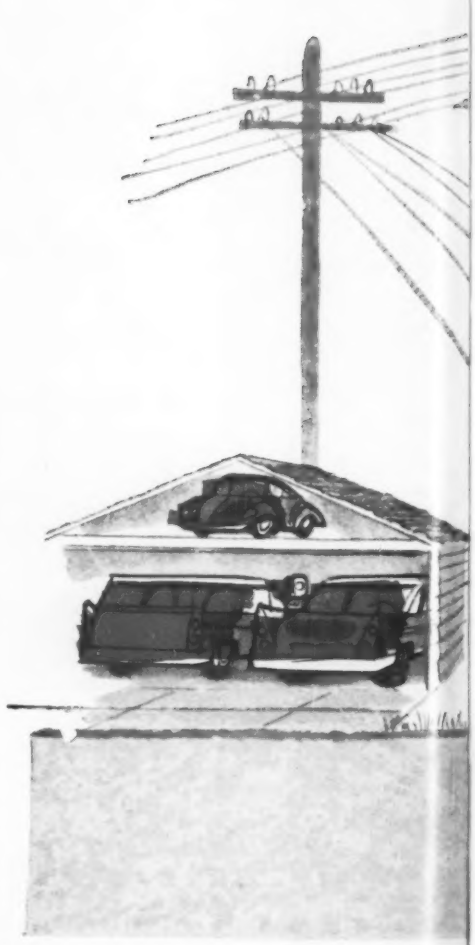
• **Home on Wheels**—To an increasing number of consumers, "second home" means mobile home or travel trailers. The "travel trailers"—relatively small, to be pulled behind a vacationer's car—account for 23% of total production of mobile units. The "mobile home" is larger; it's designed as a permanent dwelling.

The Mobile Homes Manufacturers Assn. estimates 125,000 travel trailers are now in use—most of them owned by families that have another home. In 1955, the industry sold 16,000; last year, it sold 31,000.

Many people in the building trades feel the second-home market is bound to grow. Walter E. Hoadley, Jr., economist for Armstrong Cork Co., agrees that one day it may have a real potential, though so far this market is fragmentary. Hoadley points to some obstacles. Roads to make vacation homes accessible will have to come first, he says; most people are unwilling to drive more than six hours to a weekend home.

More than that, other products are fighting hard for the consumer's dollar. As growing families threaten to burst through a house's timbers, consumers are concentrating on more space, better homes. A settled vacation spot also runs head on into the pervasive yen for travel. And financing may be tricky—a point the plywood people are working on.

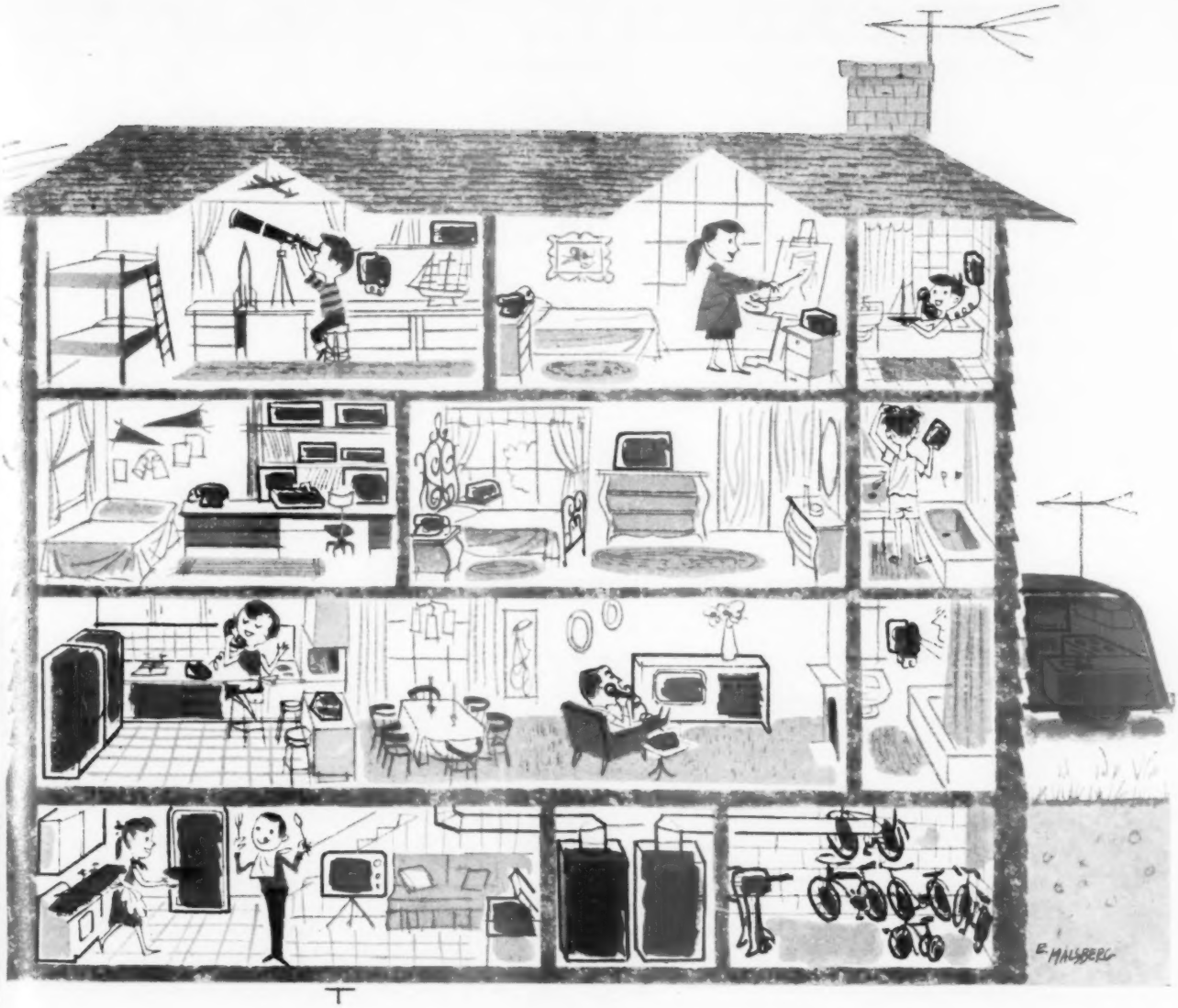
• **Breakthrough**—For many products, though, the twin-market is here, right now. The overwhelming reason: the frequency with which consumers are "having another" in the family production line. Big families cause what Hoadley describes as density of population per house. Teenagers breed a demand for extra facilities—cars, baths, radios, TV.



• **Busy Lines**—AT&T's experience is a case in point. While it has sold additional extensions for decades, it began to press this market in 1955, when pentup war demand for first phones had been pretty much cleaned up. What AT&T sells is communications—the phone call. And, says S. F. Damkroger, assistant vice-president, more phones mean more calls. So four years ago it started aggressively to sell extensions—with a heavy accent on color.

In 1955, Damkroger estimates, about 14% of homes had a second or third phone. By the end of this year, close to 28% will have them.

• **Teenagers Help**—The company feels it has barely scratched a still more re-



warding market: the second line. Extensions don't solve a particularly prickly problem: How to cope with teenagers' propensity for long chats with friends. This market AT&T is now ready to go after. It hadn't the facilities to warrant a major drive before, it says.

The company has no fears that as today's teenagers move out into their own households this market will wane. Next year it is planning an ambitious drive to sell the "completely telephoned house." This means a phone in every bedroom, in the work area, the play area, and the lounge or living area.

• **Second-Bath Market**—The population density per house has built a strong market in another field—plumbing fixtures. Companies such as Crane Co. have promoted the two-bath market for years—as has every up-and-coming manufacturer, in fact. "Children are the controlling factor in the second-bath market," says Robert W. Williams, General Marketing Manager of American-Standard's Plumbing & Heating Div.

Dept. of Labor figures tell the story of progress: In 1956, 20% of new single-family, nonfarm homes had one full and one partial bath; in 1940, 12% had. In 1956, 21% had two complete baths against 7% in 1940.

There's no market resistance here: everyone wants more baths. But the primary obstacle is space—which means costs. Product design helps here. American-Standard, for example, has a small, square tub to fit into space about equivalent to a shower stall. For the remodeling market, it has concentrated on the powder room, which doesn't have a bath.

Resale value is a big plus here, Williams points out. Baths count heavily in resale in today's upgraded, big-family household.

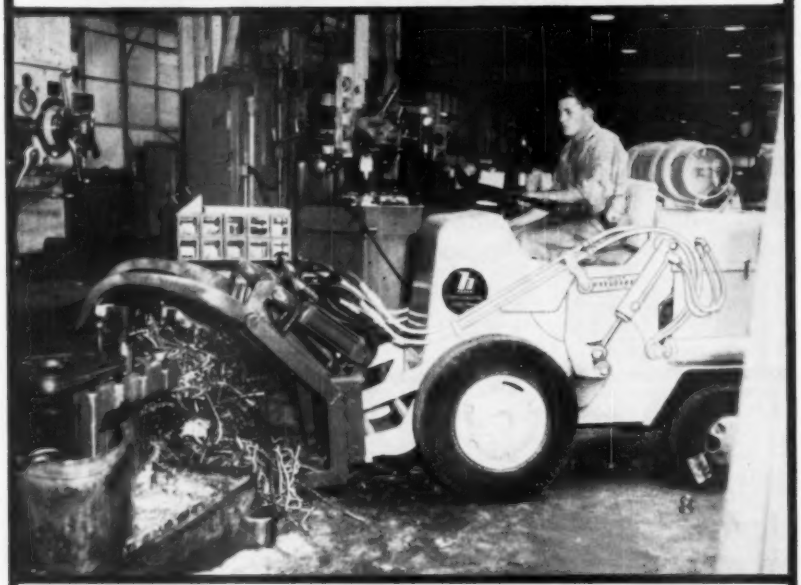
• **Two for the Price of One**—When it comes to heating, says William H. Baker, Jr., marketing vice-president of American-Standard's Air Conditioning Div., trends in home construction lend themselves to two-furnace equipment. The rambling ranch house, broad areas of glass, the split level, zoning for living and sleeping, all point to a bonus for the furnace manufacturer.

American-Standard kicked off its two-furnace drive last year with the pitch, "Two for the price of one." Actually, two furnaces may cost no more than one large one with equivalent capacity; more often, they would add between $25 and $100 more.

Two furnaces simplify ductwork, says Baker. Operating costs should be less.

• **Multiple Radio-TV Sets**—Double-product selling is an old story in radios

PAYLOADER®...



one-man scrap handler

Savings of up to 70% or more in the time required to handle tangled scrap, shavings, stampings, wire, hides and unusual loads can be accomplished by one man on a "PAYLOADER" tractor-shovel with this RAM hydraulic grab-fork attachment.

This unit can work inside or outside your plant, on paved or unpaved surfaces, load or unload boxcars or trucks, pick up materials from bins or beside lathes and presses, feed furnaces, balers, etc.

BREAKS-OUT BIG LOADS — The powerful grip and lift of the grab-fork combines with the tractive power of the "PAYLOADER" to dig deeply into a pile of bulky scrap. Independent hydraulic power on each grapple arm assures a firm grip for breaking out big loads from the pile.

CARRIES THEM FAST — The highly maneuverable gas or diesel powered "PAYLOADER" units have a short turning radius, full reversing or power-shift transmissions, torque converter drive and travel speeds up to 17 mph.

DUMPS THEM CLEAN — All operations are finger-tip controlled from the drivers seat, including the positive hydraulic kick-off device that provides a clean and complete discharge of any load.

Ask your Hough Distributor to show you what a "PAYLOADER" with grab-fork attachment can do for you. Also ask about other attachments and large "PAYLOADER" tractor-shovels up to 12,000 lb. carry capacity.

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☐ "PAYLOADER" units with scrap grab

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9-A-4

Name
Title
Company
Street
City State

and TV sets. Latest TV figures, compiled by Advertising Research Foundation from Census data, indicate that in May, 1959, there were 4.4-million multiple-set households, or 8% of all TV households, against 5% in April, 1957. A Motorola researcher estimates that b the end of next year 16% of homes wil have more than one.

Many believe the big push for the second set comes more or less accidentally from the replacement market. Says Zenith Radio Corp. "A consumer is in the market for a new unit. He can't get much for his trade-in, so he keeps both."

Admiral Corp. figures that here, as in baths, product design helps. Portable TVs gave the second set a boost. Zenith's campaign to "bring TV back into the living room" via fine cabinets is another approach. Similarly, tiny transistor radios helped this market along.

• **Hold-Outs**—Few companies, though, are going after it actively. Fewer yet have promoted seconds in such products as refrigerators, ranges, and the like.

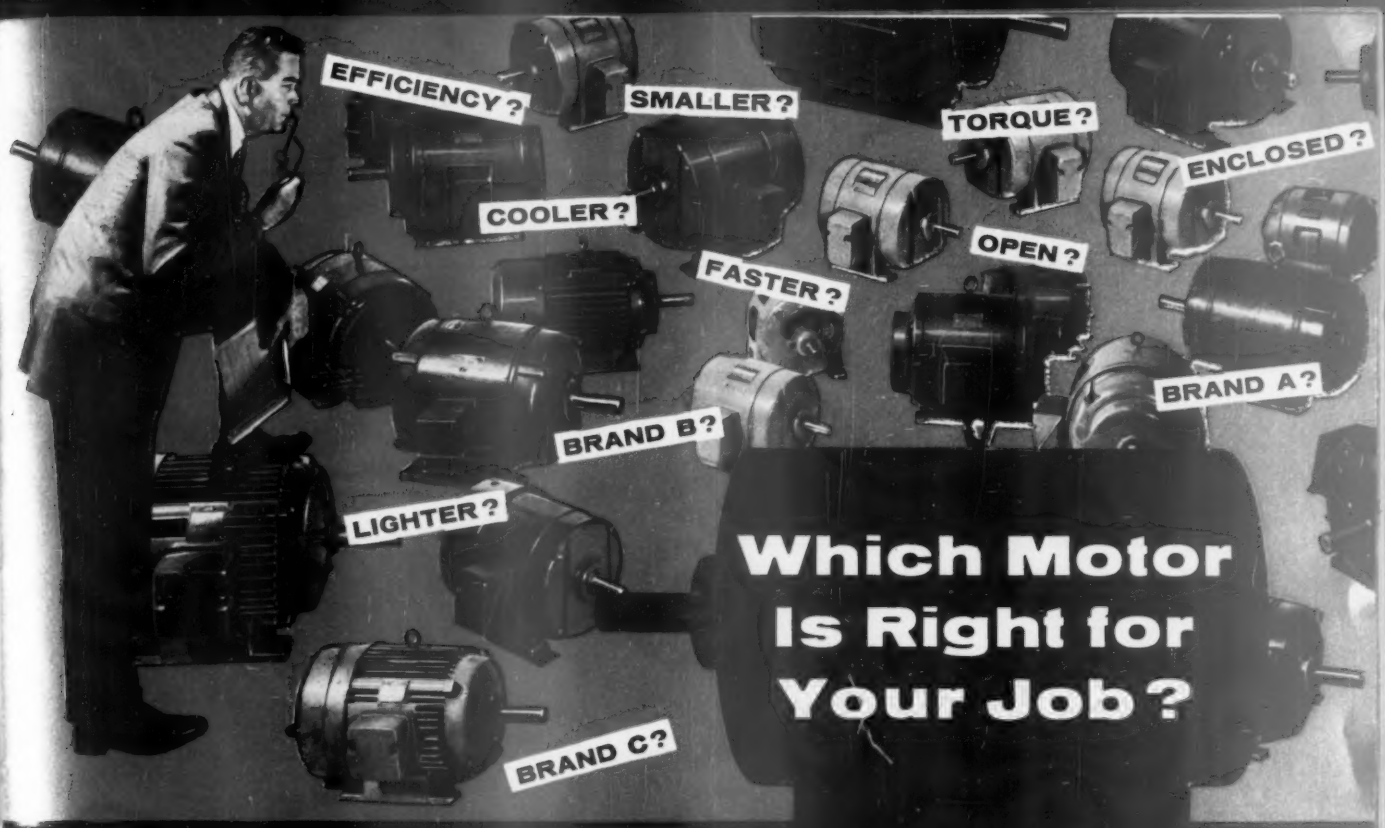
Whirlpool Corp. points out that the trend to large refrigerators, washing machines to cope with any amount of laundry, pushes twin-products selling into the background. But it agrees that, as in TV, a buyer in the market for a refrigerator may keep the old one for additional storage.

There are hints that the idea of a "second kitchen" is in the air. Articles in some of the shelter magazines have encouraged consumers to think of cook bars strategically placed around the house.

Frigidaire Div. of General Motors Corp. has built a "patio kitchen" as part of its 1959 Idea Kitchens touring the country. Hotpoint Co. has been promoting a supplemental cooking unit—an electric range, a fryer, steamer, and coffee maker—for a family room or patio since last January.

General Electric Co.'s planners are talking about "fragmentation." The day may come when the multi-purpose refrigerator will be split up into several little appliances—an ice-maker at the sink or in the game room; small cooking units for bedside breakfasts, or in patios and game rooms.

• **Stretching the Car**—Cars are one more important segment that have cashed in—and hope to cash in still more—on the twin-product market. One estimate has it that about 8-million families own two or more cars now, against 6.9-million in early 1957 and 5.3-million in early 1955. Here, too, the teenage crop is doing its bit to build the economy. Big demand for used cars, reported many times by the University of Michigan's Survey Research Center, partly reflects the acute problem of how to stretch the family car around a big family. **END**



Which Motor Is Right for Your Job?

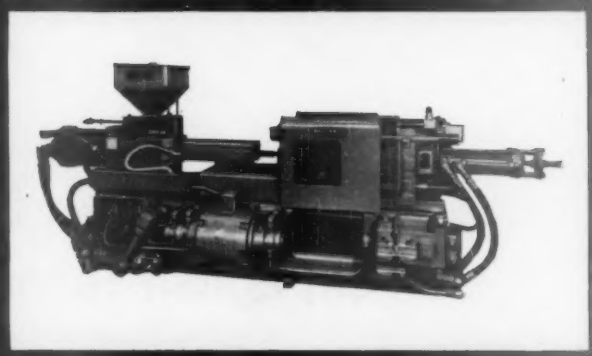
NOW! Let General Electric ECONO-MATCH Motors to Meet Your Specific Drive Requirements

You have over *three billion* different designs and types of integral hp a-c motors to choose from. And, it is increasingly difficult and costly to make this choice. It will pay you to find out how General Electric engineers can do this motor selection job for you.

THIS NEW MOTOR SELECTION SERVICE, ECONO-MATCHING, is the perfect matching of motor to machine and application for over-all economy, improved machine performance and greater reliability.

HOW ECONO-MATCHING WORKS—G-E engineers work closely with your designers studying machine characteristics: speed, torque, duty cycle, life expectancy, environmental conditions, etc. Then, through use of computers and advanced design techniques, General Electric can supply exactly the motor required for your job.

FOR EXAMPLE, the Reed-Prentice injection molding machine, shown at right, had been using a standard 40-hp motor. By ECONO-MATCHING, G-E engineers determined that a smaller, lighter, more compact 30-hp motor with improved electrical characteristics could do the job required. Although this special 30-hp motor cost slightly more than a standard 30-hp, it provided greater efficiency and cost considerably less than the 40-hp motor it replaced. It also cut space and weight requirements. G-E has also ECONO-MATCHED motors for crane, compressor, and other applications.



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MAIL THE ATTACHED COUPON TODAY . . .

or call your nearby General Electric Apparatus Sales Office for complete information on how G-E can ECONO-MATCH a motor to meet your specific requirements.

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Please furnish more information on how you can ECONO-MATCH a motor for my application which is_____

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CITY, STATE_____

In Marketing

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Atlanta's Merchandise Mart Will Get A New $15-Million Skyscraper Home

Following close on the heels of Dallas' new furniture market (BW—Jul.25'59,p88), Atlanta Merchandise Mart, Inc., says it will break ground in mid-September for a $15-million skyscraper market. **This latest mart underlines the trend toward regional distribution in the home furnishings field.**

An $8-million loan from Metropolitan Life Insurance Co. (largest single commitment ever made for a commercial structure in the Southeast, according to the Mart's owners) has cleared the way for immediate construction. The building is scheduled for completion in mid-1961.

Now in its third year of operation, Atlanta Merchandise Mart has been bursting at the seams, with more than 400 lines of furniture, home furnishings, juvenile and gift wares. The new 22-story building will permit AMM to add appliances, luggage, jewelry, and wearing apparel.

• • •

Beam to Distribute Gilbey's Scotch, Aims at Full Line of Imports

James B. Beam Distilling Co., which has restricted itself to making straight bourbon for 164 years, will add a new product this fall as it takes over U.S. distribution of Gilbey's Spey Royal Scotch. Beam's Executive Vice-Pres. Everett Kovler stated that "this is the first move in our program to build up a full line of imported goods."

Beam will move slowly in introducing its first new product. **It will use the same market-by-market penetration pattern it has employed in increasing Beam's bourbon sales sevenfold in the last decade.**

Beam has worked with Gilbey in revamping both product and package to try a new appeal to the American Scotch-drinking market. The American version will be "much lighter than the traditionally rather heavy Gilbey Scotch." And the new package will be a complete break with the stereotyped styling that makes one company's Ancient Angus look pretty much like another's Old MacIntosh.

• • •

New Edition of Restaurant Club Issues Books for Local Drive-Ins

Restaurant clubs have been springing up, mainly among the higher-priced restaurants. Now a Denver concern is offering a variation: a Restaurant of the Month Club for drive-in, take-out restaurants.

Fred Taylor and John Bohlinger, young Denver businessmen, started out with a "Gourmet Edition" of the club. Members buy a book of coupons—in Denver, it costs $6. **Each coupon entitles a bookholder to one free meal at each of 13 of Denver's better restaurants, provided the book-holder buys one meal at regular prices.** The entire book is good for nine months.

Restaurants like the plan, say its promoters, even though one meal is on the house. They break even or a little better because all spending for drinks is velvet, and so are the tabs for meals for other members of a party bigger than two. Naturally, restaurants hope for repeat business at full prices.

The new "edition" works the same way except that the books cost $3.95, and coupons are good at 22 of Denver's "top drive-in restaurants."

Taylor and Bohlinger report they sold out their Gourmet Edition of 4,500 books. They have copyrighted details of the plan and are selling territorial franchises. They plan a third club in Colorado, have at least four other cities on the docket.

Entre, Inc., a similar operation in Chicago, working with better restaurants, reports a lot of interest in its project. National Restaurant Assn. says the move got started about two years ago, has picked up momentum.

• • •

Paris Designers Charge U.S. Press Jumped Release Date on New Fashions

French couturiers are angry at reports that several U.S. magazines jumped the Sept. 1 release date for sketches and photos of the latest Paris models. Specifically named were Hearst's Harper's Bazaar and Street & Smith's Mademoiselle. Vogue's chief editor, Jessica Daves, says no copies of Vogue got out.

The magazines expressed deep concern if mailed copies unintentionally broke the release date. Women's Wear Daily, a Fairchild publication, released its own sketches last week after "satisfying itself" that some subscribers had received copies of the other publications. **Strict observance of a Sept. 1 deadline is practically impossible for a monthly, the paper points out;** there's no way to make sure that post office deliveries will hew to the line.

The Chambre Syndicale de la Couture Parisienne plans action. Some houses may go the route of Balenciaga and Givenchy, who bar the press from showings till a month after buyers have seen the new models.

Designers hope that a pending lawsuit filed against Milton Fashion Service, New York, for alleged design piracy, will set a precedent to protect designers and buyers. Mrs. H. Kastner Srubar, who allegedly pirated sketches for distribution by Milton, is now under arrest in Paris.

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Marketing Briefs

Ohio's new fair trade law, passed by the legislature this summer over Gov. DiSalle's veto, faces its first court test. Five discount drug firms have brought suit against Upjohn Co., charging that it has no right to set minimum retail prices on its drugs and vitamins.

The company generally credited with founding trading stamps in the U.S. in 1891 will discontinue the sales of stamps to dealers. Ed Schuster & Co., major Milwaukee department store, will stop distributing its stamps to approximately 350 retailers.



Where a Texaco Engineer hangs his hat

Where there's a job for lubricants, that's where a Texaco Lubrication Engineer hangs up his hat and goes to work.

Maybe he's helping an airline evaluate engine performance. Maybe he's lending his know-how to the machining of tougher-than-tough alloys . . . or working overtime to help a contractor complete a mammoth construction project ahead of schedule. Whatever the job, the Texaco Lubrication Engineer has just one objective: to keep machinery running smoothly, to prevent delays in production, to help you reduce your maintenance costs.

Every dollar a Texaco Lubrication Engineer helps you lop off your maintenance costs is a dollar you can add to profit!

Remember that when you're looking at your profit and loss statement. Let Texaco bring your firm the benefits of Organized Lubrication. Send for the eye-opening book: "Management Practices that Control Costs via Organized Lubrication." Texaco Inc., 135 E. 42nd St., New York 17, N. Y., Dept. B-120



LUBRICATION IS A MAJOR FACTOR IN COST CONTROL



Photograph by Bruce Davidson

ED MORSFIELD SPEAKS "MACHINIST"

Out on your production line, operators and machinists have a language all their own. Even some engineers couldn't master it in a million years. But Alcoa's Ed Morsfield speaks it fluently, and that gives him a rare advantage; he can interpret metal-working problems rapidly and put his answers in words that shopmen understand.

Eight thousand times a year, hurry-up calls for help get prompt attention from Ed and 22 other Alcoa service inspectors. The solution may be as simple as correcting tool rake and clearance to keep chips from marring the work. Or as complex as checking 700 critical points on the mid-frame casting for a jet fighter. But no problem stumps men who command an average of 25 years' experience.

Help like this is unique in the aluminum industry, and it means there's more than just 16 ounces of metal in every pound of Alcoa® Aluminum you buy. You're well on the way to realizing this added value, and those listed in the facing column, when you call your local Alcoa sales office. Aluminum Company of America, 2016-J Alcoa Building, Pittsburgh 19, Pa.

ALCOA ***helps you design it, make it, sell it***



Alcoa has hundreds of Ed Morsfields to help you design it, make it, sell it

All of Alcoa's skills are mobilized to a single purpose: To put more than just 16 ounces of metal in every pound of Alcoa Aluminum you buy. Here are 12 of the dozens of ways to do it:

1. Research Leadership, bringing you the very latest in aluminum alloys and applications.

2. Product Development by specialists in your industry and your markets.

3. Process Development Labs for aid in finishing, joining and fabricating.

4. Service Inspectors to help solve production problems at your plant.

5. Quality Control to meet top standards or match your special needs.

6. Complete Line including all commercial forms, alloys, gages, tempers.

7. Availability via the nation's best stocked aluminum distributors.

8. Foremost Library of films and books to help you do more with aluminum.

9. Trained Salesmen with a wealth of on-the-spot information.

10. Sales Administrators constantly on call to service your orders.

11. Year-Round Promotions expanding your old markets, building new ones.

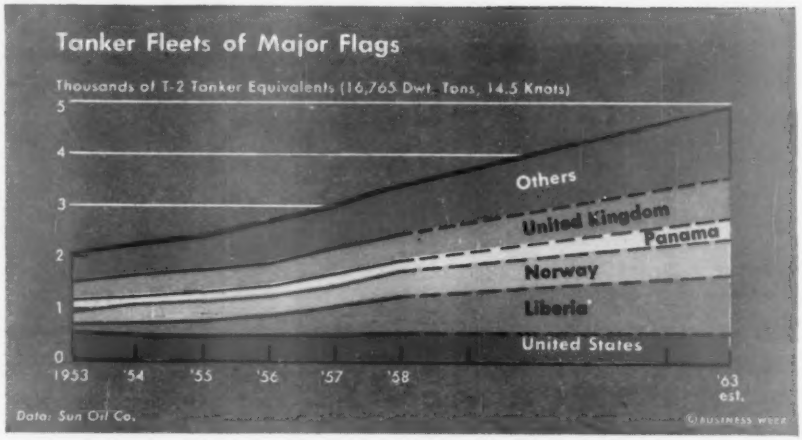
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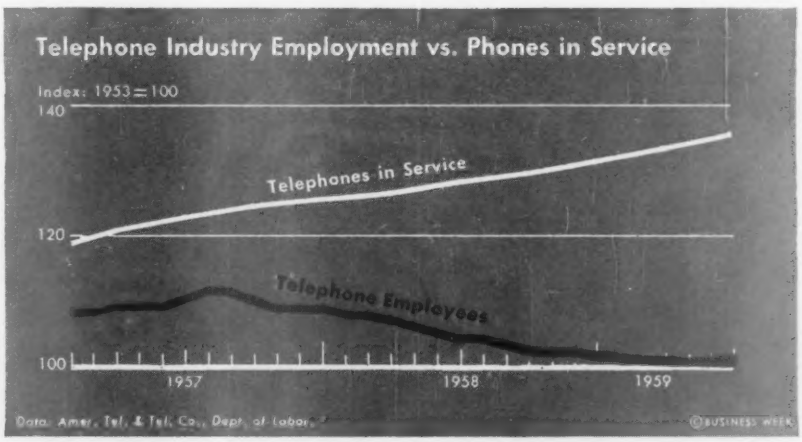
CHARTS OF THE WEEK



Liberia Passes U.S. in Tankers

Five years ago, the U.S. held first place in the world tanker fleet with more than 26% of all tankers registered under its flag; Liberia ranked fifth with 6.3%. By the end of 1958, the U.S. fleet had slipped to second place (15.6% of the world total); Liberia had moved up to the lead position with 20.6%. Available data on vessels under construction or on order, plus normal scrappage rates, indicate that by 1963 the U.S. will have dropped to fourth place.

This shift is due to the increasing number of U.S. owners who continue to register their tankers under foreign "flags of convenience," a trend that has generated much protest from U.S. seafaring unions (BW–Jan.31'59,p11).



More Phones Take Less Work

Only two and a half years ago, the average telephone company employee provided service for 82 customers; today, thanks to recent technological advances such as the Bell System's Direct Distance Dialing, he can take care of 97. That explains why, though the number of telephones in service is steadily rising, telephone industry jobs show a steady decline.

Telephone employment has been dropping since the all-time high of 750,000 in July, 1957. This is one of the few segments of nonfarm employment still substantially below pre-recession levels. In fact, it is running around the same job totals as four years ago. Employment in June this year was 28,000 under June, 1958, and 65,000 less than June, 1957. But phones in service have risen in two and a half years from 60.2-million to 68.5-million.

RESEARCH

Electronics Weds Psychiatry



MASCOT of Houston research center, which occupies an old mansion, is Whiskers the chimp. About 25 rhesus monkeys are used in experiments, but Whiskers is just a pet.

Researchers at Houston State Psychiatric Institute are harnessing electronics to probe how the human brain works.

At six miles up, a pilot may feel a strange exhilaration, as if he's unconquerable and on top of the world. But this feeling can be deceptive—with disastrous results. He may actually be about to pass out; from lack of oxygen, or from some other cause, the normal functions of his brain may have been dangerously impaired.

However, through a wedding of two of the newer sciences—psychiatry and electronics—it may someday soon be possible for an observer on the ground to monitor the pilot's brain and detect danger signals in time to avert a crash. Such a monitoring device would be an important defense application of research under way at the new Houston State Psychiatric Institute (pictures). But it would also be a tremendous new tool in helping researchers learn more



PERIOD ANALYZER is a type of computer that can report . . .



. . . state of consciousness of a subject such as space pilot.



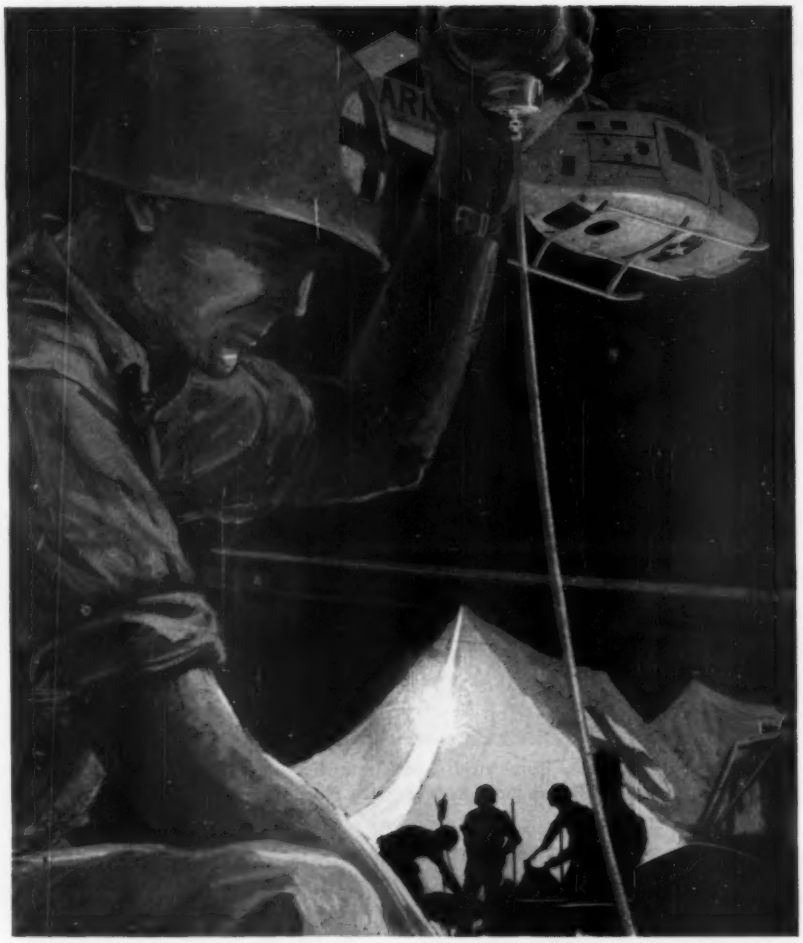


ELECTRONIC device measures speed at which time seems to pass, to test theory that it passes slower for schizophrenics.

DRUGS for psychiatric studies are home-grown—with federal O.K.—in greenhouse on the institute's grounds.



DISTORTING MIRRORS like those in an amusement park fun house are used in institute's psychological section. Dr. Seymour Fisher asks a young woman to report impressions of herself as shown in the mirror, as a clue to how she actually feels about her body.



THE NEW U.S. ARMY SAVES LIVES

and there's a BELL in the Picture

For the combat unit in the Atomic Age, the increased fire-power of modern armies has its grim corollary — the possibility of increased casualties. But, to save lives, Army Aviation brings to today's modern Army aero-medical evacuation — the utilization of air vehicles for battlefield pickup of casualties. As early as the Korean War, Bell helicopters pioneered this concept of recovering the seriously wounded. Of all front line wounded U. N. troops rescued by helicopters, the Bells were credited with evacuating 80% of them (an estimated 18,000). Bell is privileged to be on the new Army's team — and for its role in helping provide the extra margin of mobility that may mean the difference between life or death on the battlefields of tomorrow.

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about the basic nature of mental illness.

The Houston State studies are part of a major effort in psychiatric research centers all over the U.S., aimed at combining the techniques of psychiatry and electronics in order to understand how the human brain really works.

I. Houston's "Black Boxes"

The brain monitor is one of several so-called "black boxes" under development at Houston State. Technically known as a period analyzer, it may be able to determine an individual's state of consciousness by analyzing the brain waves that show up on an electroencephalograph (EEG). According to Dr. Neil R. Burch, director of Houston State's bio-electronics laboratories, the device "shows promise of being able virtually to intrude upon a man's brain and tell a clinician what is going on."

It would do this by translating the brain waves into measurable information by connecting the standard EEG machine to a period analyzer, which is a type of computer. After digesting the information, the computer would report on the brain's workings in mathematical terms. In effect, the mechanics of the brain would be reduced to a mathematical formula. Ultimately, the researchers hope, they will be able to find a standard formula representing a "normal" brain—with, of course, infinite variations possible in both directions from this standard.

• **Measuring Emotions**—Another of Houston State's new "black boxes" is the Galvanic Skin Reflex Amplifier—a modified version of the lie detector. The GSR works through electrodes attached to a finger and arm. Changes in conductivity caused by reflex reactions of the sweat glands under various stresses are registered on a chart. These results—together with the observations of sociologists and psychologists—can indicate the subject's emotions, in a range from coma to panic.

"We know there are physical changes when emotions are aroused," a Houston State researcher explains. "For example, if you are afraid, the hair on the back of your neck will rise—but how much will it rise for how much fear? We need satisfactory measurements." The Houston scientists hope GSR will provide these measurements.

The device is also being used to study the reactions of members of a group to various stimuli and to each other. Researchers watching through one-way glass compare their observations of the group situation with the actual changes on the GSR chart and with what the subjects think their reactions are.

• **Other Gimmicks**—The institute has devised other, more specialized electronic equipment for use in other



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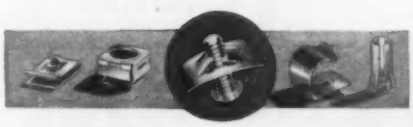
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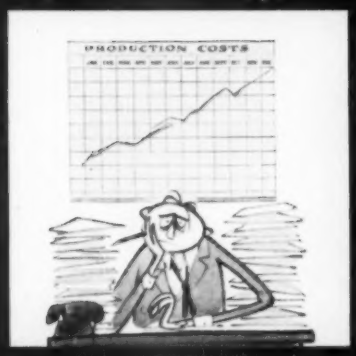
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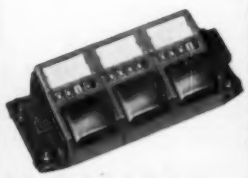
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psychiatric tests, too. For example, there are transmitting electrodes to go with the electroencephalograph and recording timers for time lapse perception tests. One researcher thinks there might be a relationship between mental illness and the perception of time, because, in preliminary studies, time seems to pass more slowly for a schizophrenic than for a normal person.

II. A Distinctive Approach

Psychiatry's venture into electronics under Dr. Burch at Houston State is a departure from the traditional approaches to research in the field.

Currently, there are two main streams of psychiatric research:

• One deals with the psychological bases for mental disturbances—on the ground that the cause of many illnesses lies within a person's life experience. For the most part, these psychiatrists attempt to cure disorders by talking with the patient, although sometimes drugs are used to alleviate certain symptoms.

• The other group of researchers works on the premise that there may be biological or chemical causes for mental disease—in particular, for the serious psychoses such as schizophrenia, the most prevalent of all mental troubles. Some 23% of all persons admitted for the first time to non-federal hospitals in the U. S. are schizophrenics; slightly more than half of U. S. hospital beds are occupied by mental patients, according to the National Committee Against Mental Illness.

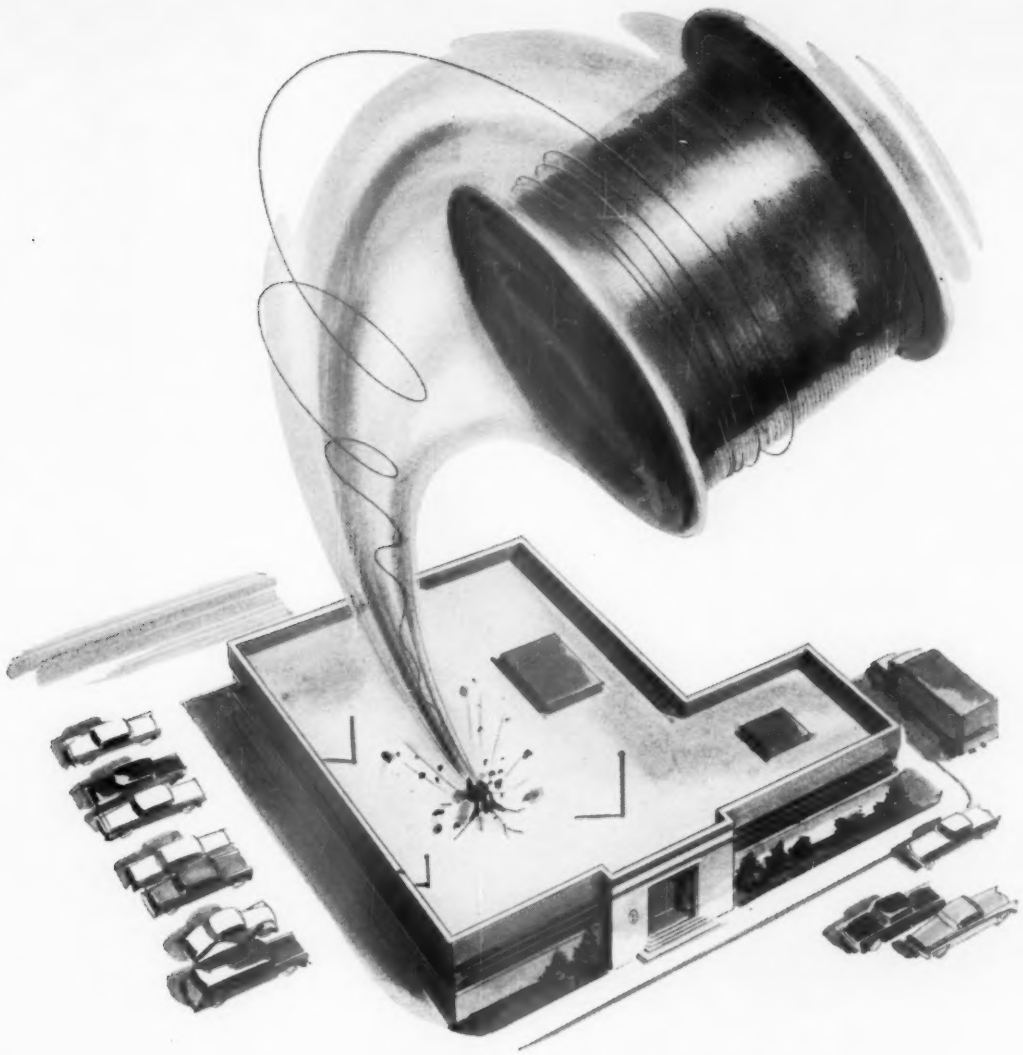
• **Most Promising**—Dr. William T. Lhamon, director of the Houston institute, personally thinks the most exciting breakthroughs in years ahead will come in the use of drugs and of biochemical techniques to change the biology of the brain. However, Dr. Burch is betting on electronics as being of more immediate importance in the months ahead.

III. Exploring Three Avenues

The Houston State Institute pursues all three types of psychiatric research in its three principal labs—supplemented by a clinical section. One lab, under Dr. Burch, works in the newest frontier of bio-electronics and in psychophysiology—the measurement of physical activities. A second probes biochemistry and the use of drugs, and the third explores psychology.

The institute is particularly notable for three things—its newness, its work in electronics, and its enterprise in manufacturing equipment to be used in research combining electronics and psychiatry.

• **Mansion Dwellers**—The institute was authorized by the Texas Legislature in



The 80-lb. spool that almost went into orbit!



And how the friendly AM man's down-to-earth advice helped set up a vital safeguard for a "safety-conscious" policyholder.

The heavy spools on the cable-winding machine were whirling away at speeds over 1600 revolutions a minute.

Suddenly there was a loud "whoosh" as one of the spools spun from its cradle, crashed like a rocket through the roof, and plummeted finally to the street. Somehow the automatic locking device on the spool had failed. Fortunately, the only damage was to the roof. But to prevent a recurrence that could cost a life or limb, an AM Safety Engineer was called in. After study of the complete operation, and with his advice, a special guard was installed, equipped with micro-switches to instantly stop the machine if the guard is opened and to prevent its operation if the guard is not closed.

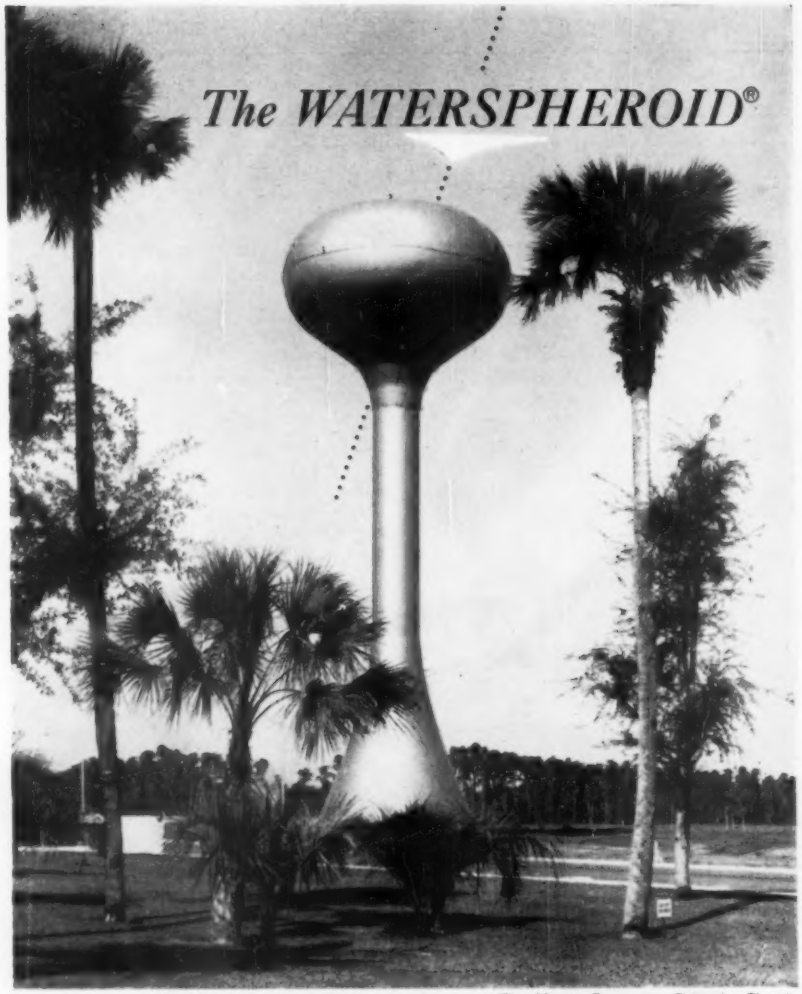
Unusual as this case was, it's not unusual for AM policyholders to profit regularly by teaming up with American Mutual Safety Engineers. In fact, over the past 5 years, this policyholder has enjoyed insurance rates 25.9% less than the average for the industry and further reduced costs through American Mutual dividends.

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1955; it opened its doors only last year in an old mansion owned by the Texas Medical Center, with spacious rooms for offices and testing facilities, a carriage house for labs, and a greenhouse where drug-yielding plants can be grown. Next year, it will move into a new $1.4-million research complex in the Houston Medical Center.

About $400,000 of its $750,000 yearly budget comes from the state. The federal government chips in another $300,000, and $50,000 comes from Baylor University, foundations, and research grants. The staff devotes part-time to duties at Baylor's College of Medicine, in line with the aim that it should be both a teaching tool and a center for pure research. Dr. Lhamon is chairman of the psychiatry department at Baylor, and Dr. Burch is on the teaching faculty.

From a force of only two scientists last year, the staff has expanded to 21—including 7 M.D.s, 11 PhD.s, a social worker, electrical engineer, and mathematician. Despite the differing backgrounds, there's a constant sharing of effort and findings among the disciplines and the three basic divisions of research. For example, Dr. Burch's bioelectronic lab is manned by a psychiatrist, an electronics engineer, a sociologist, and a mathematician. Each in his own way probes the same problems.

Even though the institute's electronic devices are still in development, it is already looking forward to the day when they prove successful and will be in demand by doctors, hospitals, the Defense Dept., and other customers. So a group of Houston State researchers has signed on as consultants to Bio-Physical Research Instruments, Inc., a subsidiary newly formed by Ruska Instrument Corp., a Houston lab equipment maker. Its first product will be the period analyzer; the first sale will probably be made sometime late this year to a California mental hospital.

• **Visionary Hope**—In summing up the future of the sort of psychiatric research Houston State has in progress, Dr. Burch observes: "Much of psychiatry still remains an art, but I have confidence that we are progressively adding some of the strength of science to it."

If the fundamental research now under way bears fruit, he adds: "It is conceivable that within the next 10 years psychiatrists will no longer feel prime responsibility for the major psychoses. Rather, the treatment of these diseases will be under the discipline of the internal medicine specialist or the general practitioner. Then the psychiatrist may find that his province has become limited primarily to repairing and reconstructing of the more subtle personality factors in order to increase the effectiveness and happiness of the normal population." END



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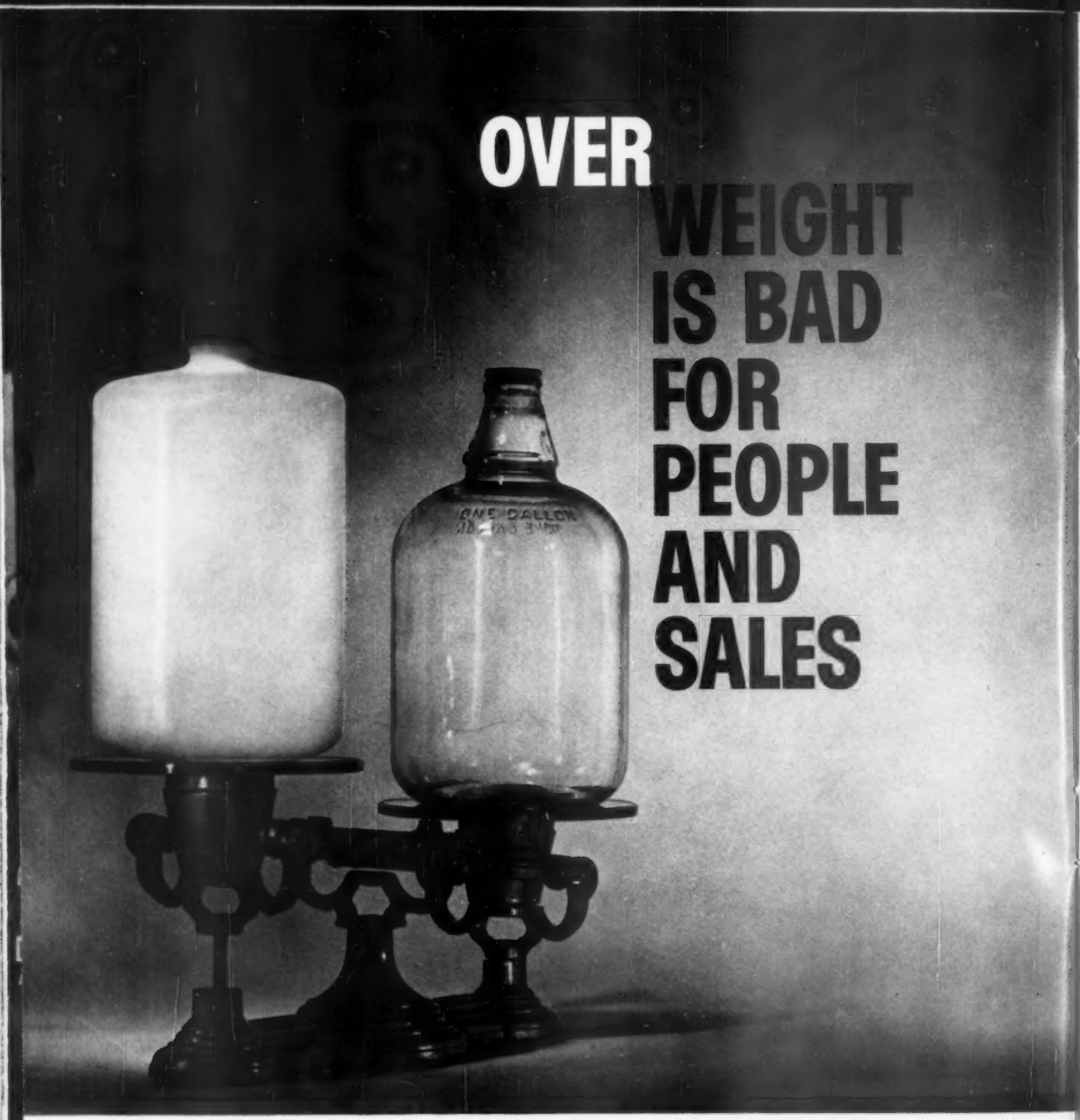


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In Research

• • •

Satellites May Be Kept on Course By Republic's New Plasma Engine

U.S. satellites may be reconnoitering the heavens and toting men into space several years earlier than the mid-1960s target currently set, thanks to a magnetic pinch plasma engine designed by Republic Aviation Corp. The engine was originally devised for interplanetary space ships, but it may be used first to control the flight of satellites that have gone into orbit.

A plasma engine uses hot gas for fuel and turns it into a "plasma"—the so-called fourth state of matter, evolved from gases in which the molecules have been broken down into electrons and positive ions. In Republic's version, an electrical current shot through the engine's compression chamber reacts on the hot gas and transforms it to plasma. The current then passes around the electrically conductive plasmas and sets up a cylindrical magnetic field. Finally, the magnetic field pinches the plasma into a tiny area, so designed that it shoots out the rear of the combustion chamber at extremely high speed.

Such an engine has already been proved feasible, according to Alfred Kunen, manager of Republic's plasma propulsion research. **It might be the answer to a serious problem in present satellites: the fact that once set free from the launching rockets, they have no power of their own.** As a result, they tend to tumble over themselves; this interferes with such things as communications and with photography of the earth.

The magnetic pinch plasma engine would be particularly suitable to satellites because it needs to carry only a light fuel load and supplies relatively little thrust—but enough to propel an object already traveling at high speed. It can be easily turned on and off, and it operates on a much wider variety of fuels than the ion engine (BW—Feb.15'58,p119).

• • •

Oral Vaccine for Polio Protection May Be Only a Year or Two Away

The new polio vaccines designed to be taken orally, now in advance testing (BW—Jun.27'59,p57), may be available to the public in 1960 or 1961, according to Dr. Leroy E. Burney, U.S. Surgeon General.

The Public Health Service chief said last week that one or more of the three oral vaccines under development may be in production by then **if answers are found to remaining questions on safety and manufacturing methods.** His statement was the first official indication of a date for introduction of the vaccines.

However, a number of companies have already responded to doctors' enthusiasm over oral vaccine by taking steps toward commercial production:

• Lederle Laboratories, a division of American Cyanamid Co., which developed one of the vaccines, will complete $1-million worth of production facilities this fall. In the past 13 years it has invested $8-million in research and development of its live-virus vaccine.

• Merck & Co. is making large quantities of an oral polio vaccine developed by Dr. Albert Sabin of the University of Cincinnati, for use in large-scale tests in foreign countries.

• Chas. Pfizer & Co. reportedly is ready to produce Dr. Sabin's vaccine.

• A third version of the oral vaccine is under development at Wister Institute, a nonprofit research organization in Philadelphia.

• Wyeth Laboratories Div. of American Home Products Corp. is understood to be manufacturing an oral polio vaccine, though the type is unknown.

The advantage of an oral vaccine over a formaldehyde-killed vaccine such as Salk is that a single spoonful will give protection. Oral vaccine is also potentially cheaper, and reportedly it can immunize a much larger percentage of the population.

• • •

Vaccine Made From Malignant Tissue Stems Cancer in Patients Under Test

The day may not be far off when doctors will be able to cure patients of certain types of cancer by vaccination.

Fresh support for this possibility came this week from Roswell Park Memorial Institute in Buffalo, where a husband-wife team of medical researchers, Drs. John B. and Ruth M. Graham, has had startling success with recent vaccine experiments.

Reporting their findings in the August issue of Surgery, Gynecology & Obstetrics, a medical journal, the Grahams make no claim that their vaccine is a general cure for cancer. Nor do they suggest that their findings represent any radically new discovery about the disease itself. **However, they do point out that cancer regarded as uncontrollable by radiation or surgery was arrested in 75% of 101 patients tested with the vaccine.** This rate is too good to have been achieved by chance. Most of the patients were suffering terminal cancers of internal organs such as the stomach, kidneys, or lung.

Of the Grahams' patients, 14 inoculated with the live cancer vaccine have recovered completely, with no sign of any remaining malignancy. Eight others are living comfortably with tumors that apparently have become benign. Another 55 are still alive, although according to the usual medical estimates they should long since have died.

Of course, many questions about the vaccine remain to be answered. The method is both hazardous and costly, since it involves removing live tissue from the patient's own tumor and growing it in a specially prepared solution, called an adjuvant. The theory—still unproven—is that the adjuvant encourages the antigens in the patient's cancer cells to an unusually high degree of activity. These antigens, injected back into his system, are able to arrest or destroy the original tumor.

Since no control group was used in the original experiments, the statistics on cures must be carefully checked. To this end, vaccinations are now being run on 166 new patients.



CHARLES CLORE is known for the sharp eye he keeps on undervalued properties.



SIR ISAAC WOLFSON has made a fortune in a fast-growing mail-order business.



HUGH FRASER is in a good position to seize top rank among British retailers.

Riding Britain's Merger Wave

To the shock of conservative Britons, a new group of opportunists are building up big business empires.

The battle between the bidders for Harrods—London's biggest and oldest luxury store—finally ended last week (BW—Aug.29'59,p74).

The winner is Hugh Fraser, a Scotsman who runs the Glasgow-based House of Fraser. His chief opponent: John Bedford, head of Debenhams, considered Britain's No. 1 department store group. Now, with Bedford out of the picture at Harrods, Fraser threatens soon to become the top man in British retailing. Like Britain's other postwar "raiders," Fraser was considered sure to use one victory as a stepping stone to the rest in his campaign to expand holdings.

The Fraser-Bedford bout is only the latest round in a long series of British "takeover bids" and mergers. Since the war, these moves—some of them fast deals, others quiet negotiations—have changed the face of British business. With only minor differences, the changes parallel what has happened to many U.S. companies in recent years through mergers, stockholders battles, and moves to diversify. About now, the merger wave is coming to the same sort of peak that occurred in the U.S. three or four years ago.

• **Fraser's Move**—Fraser's case is typical of British operations. In 1951 he began his invasion of England's retail business. By early this year, he was operating the second largest chain of department stores in Britain—with assets of $150-million. Then, he jumped into the battle for control of Harrods.

The two-month struggle with Debenhams' John Bedford included shrewd stock moves, publicity stunts, and headlines on financial pages. Time and again, Bedford and Fraser topped each other's bids. Both offered varying portions of cash and stock to Harrods shareholders. But Fraser played on the open market, used his flair for publicity to advantage.

Last week, in a show of strength, Fraser extended the time limit on his offer of more than $100-million. Stockholders scurried to pick up the offer. Almost overnight, he won.

I. Quiet Nuptials

While the spectacular battles, such as the one for control of Harrods, attract attention, many mergers have taken place far more quietly. As a sign of the merger boom, British industrial consultant Oliver W. Roskill lists some 15,000 "subsidiary and associated companies" in his just-published directory called Who Owns Whom.

Over the past decade, companies such as Bowater Paper (1958 sales: $300-million) and Associated Electrical Industries (1958 sales: $508-million) have bought competitors primarily to increase their share of an industry. Others have had to diversify because of troubles with their main product line. Courtaulds' expansion into chemicals and packaging—mostly because of difficulties with rayon—is an example.

• **Going Concerns**—The mergers and takeovers stem from other reasons, too. Small companies have often sold out to larger companies because of Britain's high death duties. In some cases, powerful companies, eager to expand, have found it easier to acquire a going concern rather than start from scratch. The rapid postwar growth of a mass market for all sorts of products in Britain has in itself encouraged bigness in industry.

• **Coming Men**—Fraser and Bedford now control most of the big department stores in England and Scotland—as well as many smaller ones in suburban shopping centers. But they are by no means the only pushers.

Equal in financial power, ambition, and shrewdness is Sir Isaac Wolfson. In Manchester, he has turned a huge profit with his mail-order firm called Great Universal Stores ("Gussies"). From there, he has spread nationwide with mail-order and installment-credit stores, emphasizing furniture and household goods.

Another comer is Charles Clore. He burst into the shoe retail business a decade ago by buying up undervalued shop property. He now manages Britain's biggest shoe chain. Recently he made a dramatic but unsuccessful bid for Watney Mann, a leading group of brewers.

On a different level is Sir Ivan Stedeford. Head of Tube Investments, Ltd. (1958 sales: $575-million), he joined forces with Reynolds Metals Co. to take control of British Aluminium Co., Ltd. (BW—Jan.17'59,p59).

• **Contrasting Ways**—None of these men operates in the same way. Bedford

of Debenhams has old-fashioned ideas on financial matters, relies on venerable Lazard & Co. for financial advice. He wanted to take Harrods the nice way—through a voluntary merger of Debenhams and Harrods managements.

Fraser, by contrast, pulls off fast moves—always bluffing, always good at public relations. He did not have all the cash he offered Harrods stockholders. But he counted on selling some surplus real estate he had acquired during the past few years. He also counted on the backing of his bankers—the National Bank of Scotland (subsidiary of Lloyd's Bank) and Benson, Lonsdale & Co. Ltd.

Or look at Tube Investments' Sir Ivan Stedeford. He is regarded as a superb negotiator: soft-spoken, beguiling, and quick to pounce on a good deal. TI now looks after nearly 50 first-rate manufacturing businesses from steel and aluminum to electric washers—each with a semi-independent management reporting to a small, central management board headed by Sir Ivan. And even after the takeover of British Aluminium, TI is still expanding. Most of the time, Sir Ivan aims at buying good companies with the agreement of the existing board.

Compared with TI and Sir Ivan, Charles Clore is almost a newcomer on the scene. His first public takeover—after a bitter fight—was the Sears Shoe Group, now called Sears Holding Co. As a base for "raids" on undervalued companies and properties, he uses a small finance company, Investment Registry, with offices in London's West End.

II. When to Move In

Often, men such as Clore move fast and easily because a company is vulnerable. It may have an especially conservative dividend policy. The conservatism may stem from the fact that a few rich men hold most of the stock and do not want high dividends because of high British taxes. So the new owner, once in the driver's seat, promptly hikes the dividend, thus makes the stock rise in value, and ultimately gets back his money.

More frequently, an elderly board does not make as much profit as a new set of men thinks it can make. And usually the new ones are right. Take the case of Harrods. It has been a good business—but London observers felt it was too reliant on snobbery, too tolerant of inefficiencies. Fraser thinks he can cure all this and double the profits. Can he? He can't if, in the process, Harrods loses its wealthy customers. For this group has made a lot of money in the last few years of stock-market prosperity and now spends freely, compared with the penny-pinching right after the war.

• **Death and Taxes**—Both high taxes and special factors in the British economy have spurred the wave of takeovers and mergers.

For one thing, growing businesses hated to pay steep profit and dividend taxes. They preferred to use their cash to expand by takeovers. For another, many older businessmen wanted to sell out and take cash in anticipation of death duties. Sometimes, these men would drain a company of cash and even cripple it. Then, a high-profit company would step in, buy the crippled company as a tax loss—just as has happened in the U.S.

• **Conserving Capital**—Besides that, it was difficult to start new businesses in Britain right after the war. Government controls prevented raising new capital easily—in some cases, even prevented actual construction of a new plant. And the shortage of labor—especially skilled workers—added to the troubles.

Thus, it became the fashion to buy going concerns or buy a "shell" such as a Malayan rubber company without a plantation, later changing its legal form to serve a new kind of business.

Another reason for mergers is undervalued property that can be sold and leased back. Until recently, many companies and trading firms felt it was unsound to show real estate and equipment on their books at true, post-inflation values. They also considered leasebacks out of the question.

• **Property Men**—These high-minded but outdated prejudices give an opening to "property men" such as Clore. That was the case with his bid for Watney Mann, which controlled 3,670 pubs in London and southern England. On the opposing side was Watney Chairman Simon Harvey Combe, who himself helped engineer a merger of brewery interests last year.

Setting his sights on Watney Mann as an undervalued property, Clore offered $50-million for the common stock. He could probably have recovered the money quickly from the sales of property alone. But Watney fought back. It speedily revalued its properties, issued a 100% dividend with promise of more to come. Other brewers rallied to Watney's cause. In June, Clore and Combe agreed to call off the battle.

Still, Clore has since bought control of Mappin & Webb, silversmiths who control valuable store properties in central London. He has said he is looking for other businesses to buy.

III. Trend Toward Bigness

In manufacturing, mergers and takeovers have gone more smoothly—and quietly. Here, good skilled labor is a key motive. Companies frequently have bought existing companies at inflated values just to get a group of skilled toolmakers.

Beyond that, the general trend toward bigness accounts for many mergers. British Motor Corp. (1958 sales: $742-million), No. 1 auto maker, is a good example. Under Lord Nuffield's leadership, the Morris car group and Austin merged in 1952. The Morris group boasted fine styling, but lacked a top-flight engine. On the other hand, Austin had a first-class engine line, but needed good stylists and designers. Now, after seven years, Morris and Austin are working closely under the BMC umbrella. A small number of engines and components serve a wide range of models.

• **Acquisitive**—Tube Investments is a



"Gad. I just put in a takeover bid on something I already own."

WORTHINGTON
PIONEER IN POWER



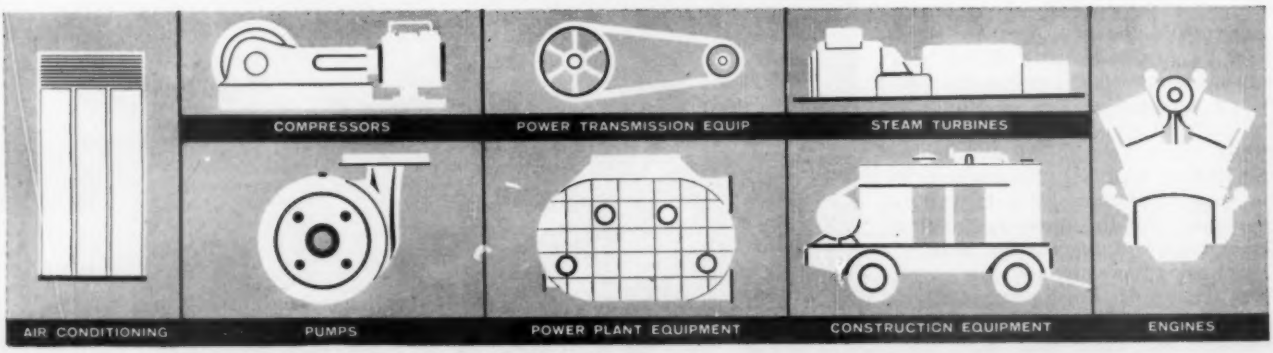
Bruce Kirkner, Mgr.
Western Region
Hq: San Francisco



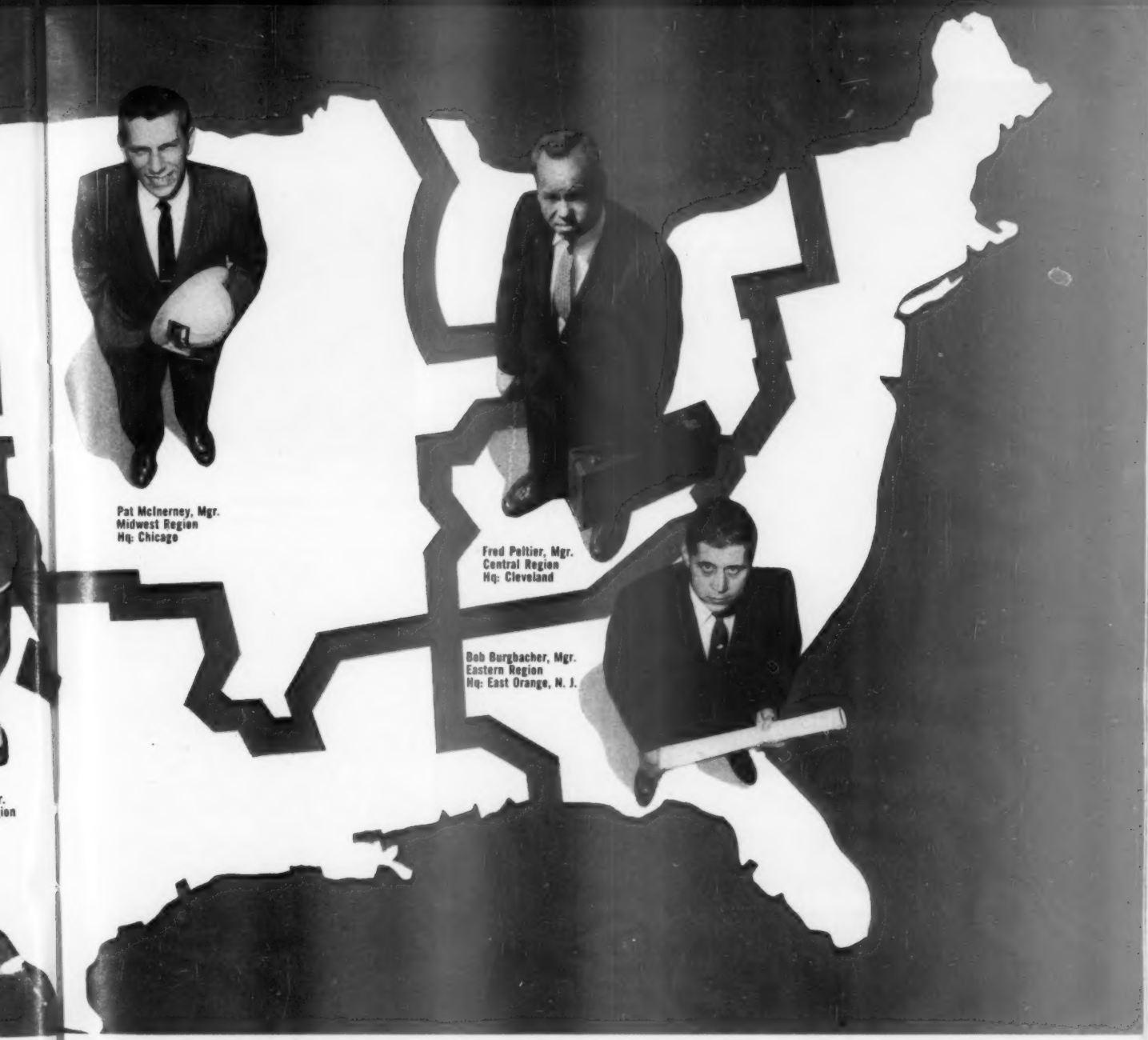
Larry Dise, Mgr.
Southwest Region
Hq: Houston

Symbolic of Worthington's Regional Engineering & Service operation is the map above showing the five separate regional organizations. Each group is held responsible for providing top-notch service on the Worthington products installed in its area.

SERVICE CAN BE YOUR MOST FRUSTRATING



SOME OF WORTHINGTON'S COMPLETE LINE OF POWER SERVICE PRODUCTS



PROBLEM: Here's what Worthington did about it!

When a machine is down, you need an experienced service man in a hurry. As technology leaps ahead—as operations become more complex and costly—the job of giving you good service becomes an all-important *opportunity* for the manufacturer.

Decentralized Field Service. That is why Worthington management—several years ago—reorganized its field service operation. Our aim was to bring the service engineer closer to the user and the products he was supposed to protect. We also wanted to cut down the amount of red-tape necessary to get him on the job. To do this, Worthington decentralized its operational service group into five separate organizations located at strategic points across the country.

Faster, Better Service. Today, Regional Engineering and Service (we call it R.E.&S.) provides the faster, better service you need. Able R.E.&S. managers make vital decisions quickly—and locally. Expert service men are on the spot, ready to go. They are trained to know *your* equipment and *your* problems. And you will find that all 139 R.E.&S. men and women in Worthington take a personal interest in seeing that you are just as pleased with Worthington field service as you are with your Worthington products.

Worthington Corporation, Harrison, N. J. In Canada: Worthington (Canada) Ltd., Brantford, Ont. 109-24

WORTHINGTON



SUN-POWERED VOICE FOR A MOON

You put a tremendous lot of effort into getting a man-made moon into orbit around the earth . . . and what happens? In only a couple of weeks, "the cat gets its tongue"! Batteries that power the radio soon go dead . . . and the moon silently races around, heaven knows where.

To make "moons" talk back for years, the TAPCO Group has developed an ingenious electric-power station to fit into a satellite's nose. A sun-loving reflector focuses the sun's heat on a tiny boiler filled with mercury . . . the mercury turns into vapor . . . turns a tiny turbine . . . and drives an alternator . . . which generates several kilowatts of electric power for the moon-riding radio transmitter.

Abilities such as this one are at work every day at the TAPCO Group . . . solving electrical, electronic, missile, space vehicle, and metallurgical problems. Tell us your problem . . . we'll deliver the answer . . . AND the complete system, subsystem, or any part.

TRW

TAPCO GROUP
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DESIGNERS AND MANUFACTURERS OF SYSTEMS, SUBSYSTEMS AND COMPONENTS FOR THE AIRCRAFT, MISSILE, ORDNANCE, ELECTRONIC, AND NUCLEAR INDUSTRIES



PRIZE in latest acquisition by Hugh Fraser is Harrods, famous London luxury store.

case study of bigness through acquisitions. It started in the 1920s in Birmingham as a tube manufacturer. Then, it expanded into the tube-using bicycle industry, eventually merging such famous names as Hercules, Armstrong, James, Norman, and Sun into the British Cycle Corp.

Because of the postwar steel shortage, it jumped into steel production. After that, it moved into cables, electric cookers, and spin driers—under the well-known (in Britain) trade name of Creda. Before long, it was developing aluminum fabricating mills.

Today—already vertically integrated and also diversified—the company is helping design and manufacture nuclear power plant equipment.

• **New Lines**—Similarly, the aircraft industry is spreading out into new lines. Because of recent or coming defense cutbacks, it is undergoing a merger boom. For instance, Hawker-Siddeley has just begun making an American-type vending machine that it will be marketing jointly with J. Lyons, famous caterer and teashop chain.

Many smaller businesses in plastics, electronics, and machinery—started since the war—are happy to come under the wing of larger companies. Built largely on technical talent, these small companies often don't know much about the business of finance, taxation, and credit.

Thus, out of the merger and takeover boom have arisen holding companies that oversee the financial affairs of a number of smaller companies, while leaving day-to-day direction in the hands of the original managers.

As consultant Oliver Roskill says: "Businessmen can rarely be sure today a concern with which they have dealings is not affected by a financial tieup which is not generally known." END

A REPORT TO MANAGEMENT ON HOW

Industry cuts costs with FIR PLYWOOD

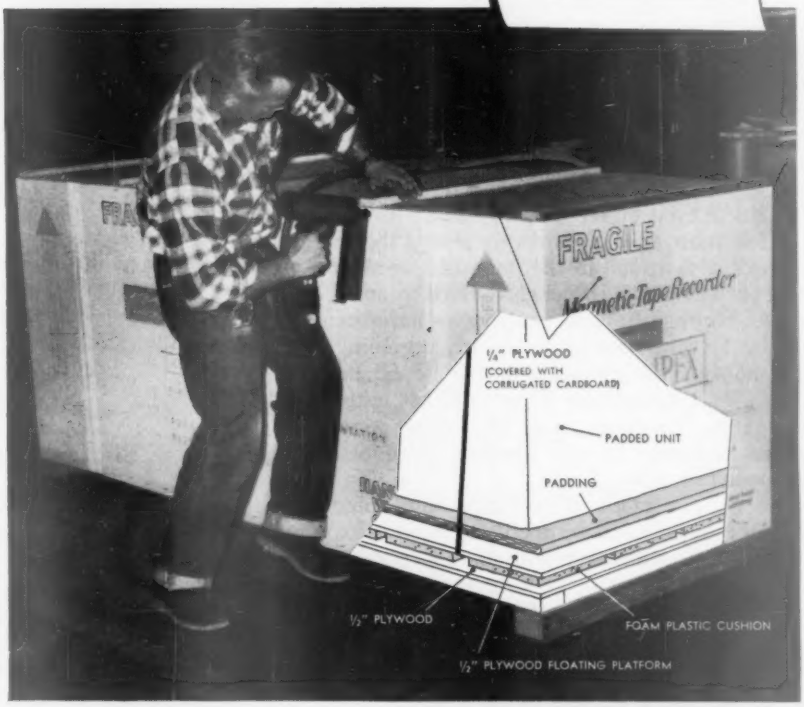
ROUTE TO:

- ☐ ENGINEERING
- ☐ PRODUCTION
- ☐ SALES
- ☐ PURCHASING
- ☐ MAINTENANCE
- ☐ CONSTRUCTION
- ☐ _____

Prize Package—This unique fir plywood shipping container features a free-floating inner floor that virtually eliminates in-transit damage to delicate electronic equipment—yet it costs and weighs only half as much as the bulkier crates it replaces.

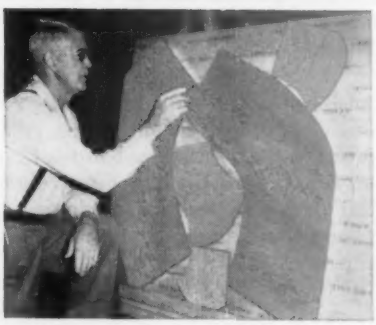
Adapted by Ampex Corp., Redwood City, Calif., from a system developed by North American Aviation, the container was an award winner at the packaging competition recently conducted by the Society of Packaging and Materials Handling Engineers.

Termed "free floating suspension" packaging, the system is keyed to a foam plastic-supported fir plywood platform to which the padded lading is securely strapped. Sides, top and bottom of the crate itself are also fir plywood. Plywood construction provides strength and rigidity without the penalty of extra weight, gives maximum impact and puncture resistance, and also simplifies fabrication and assembly.





Fir plywood vaulted roof components helped hold overall construction costs to $8.10 per square foot on this new Redi-Gas office-display-warehouse building in Tacoma, Washington. The multiple arch roof is composed of curved stressed-skin panels (each four feet wide and spanning 16 feet) which combine roof decking, finish ceiling and insulation. In addition to reducing on-site labor by as much as 80 per cent, the curved roof components permit large clear floor areas, spanning 16 feet without supplementary support from purlins or trusses. Each panel consists of Exterior fir plywood top and bottom skins glued to light lumber framing.



Plywood patterns help save hundreds of dollars monthly at Ryan Aeronautical Co. Fir plywood is cut to exact shapes of parts to be obtained from metal sheets and arranged for optimum cutting. Polaroid camera prints are rushed to production crews within minutes after the layout is approved.

FOR MORE INFORMATION about fir plywood—its uses, properties and advantages—write

DOUGLAS FIR PLYWOOD ASSOCIATION

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In Business Abroad

• • •

U. S. Exports Continue Upturn; Cotton Sales Make Sharp Rebound

Through the recession and the boom that has followed, U. S. exports have continued to fall. At the same time, imports have kept on rising. Month after month, U. S. trade officials have watched for signs of recovery in export sales.

Now they see solid evidence that U. S. exports have turned a corner (BW—Aug.29'59,p79). Exports in July topped the year-ago total for the second straight month. The year-to-year gain was only 5%—but trade experts see signs of even bigger gains to come.

While most major commodity groups showed healthy increases, a sharp fall in the published figures for textile goods exports—oddly enough—offered promise for the future. Through July, overseas buyers have been waiting for the lower cotton export price beginning Aug. 1. Last month, mills abroad rushed in to fill their empty warehouses. **Agriculture Dept. officials estimate that more than 1-million bales of cotton were sold in August—compared to only 3-million bales for the previous marketing year.**

The massive rebound in cotton sales—plus demand generated by renewed prosperity abroad—is expected to show up in continuing export gains in coming months.

• • •

Brazil, Short of Hard Cash, Edges Toward Coffee Barter With Russia

Brazil has been slashing imports of goods from the U. S. and Western Europe because it lacks foreign exchange to pay for them. Meanwhile, its surplus of unsold coffee continues to mount.

Now—with Eisenhower-Khrushchev exchanges easing cold war tension—Brazil hopes to close a much-discussed barter deal with the Soviet Union for swapping coffee for industrial equipment. Brazil's coffee chief Renato Costa Lima says Rio is now ready to negotiate directly with Moscow for such an agreement. Brazil broke off diplomatic and trade relations with the Soviet Union shortly after World War II. If trade is resumed, it may lead to restoration of diplomatic relations between Brazil and Russia.

• • •

France Taps Various Lending Sources For African Industrial Projects

France needs the rich oil and mineral resources of Algeria and French Africa to maintain its economic growth and enhance its position in the Common Market. That's the view taken by Gen. de Gaulle's government.

Finding money for economic development—while France tightens its belt at home—hasn't been easy. But by pushing financial deals with private French interests, U. S. investors, and the World Bank, French government planners think they have found enough money for a string of projects.

This month, they hope to get a $50-million loan from the World Bank and private U. S. investors to complete financing for a 24-in. pipeline connecting the Hassi Messaoud oil field with the Algerian port of Bougie. A second World Bank loan of $65-million is expected for the Miforma group, which plans to develop iron ore resources near Fort Gouroud in French Mauritania. Miforma is an international group with 55% of its backing from French interests, 20% from the British Iron & Steel Corp., 15% from the Italian Finsider group, and 10% from West German interests.

Paris officials hope to complete financing details soon for a $165-million steel plant to be built near Bone in eastern Algeria. The French government will put up most of the money, but four French steel companies (Lorraine-Escaut, Sidelor, Usinor, and Le Creusot) will own and operate the 500,000-ton-capacity plant.

• • •

Unions, Makers of Men's Clothing Ask Sliding Tariff on Imports

The battle to restrict textile goods imports has flared up again on a new front. A rise in imports of men's and boys' clothing from Japan and Hong Kong is bringing calls for import controls from both clothing manufacturers and unions here.

Actually, sales of men's and boys' apparel are booming, goods are in short supply, and price tags are being marked up. But **manufacturers and union leaders fear that wide disparities between wages in the U. S. and in Japan and Hong Kong may lead to real trouble for the industry here.**

In Washington last week, apparel makers and union brass aired their troubles to 18 senators called together by Sen. Kenneth Keating (R-N.Y.). **They asked for a sliding tariff on apparel imports that would offset lower wages abroad.**

Meanwhile, leaders of Hong Kong's clothing industry—whose exports have been climbing the fastest—are working hard to create a system of voluntary curbs on U. S. exports. But no agreement is expected in the near future.

• • •

Direct Investment Abroad Is Up

U. S. direct investment overseas is running higher than last year, according to the Commerce Dept's latest survey of foreign holdings. Portfolio investments, however, are lower because high interest rates have discouraged flotation of foreign bonds here. Still, U. S. investors are continuing to buy European stocks at a fast clip. Private U. S. investment abroad (portfolio and direct) rose last year by $4-billion to a new high of $40.8-billion, Commerce says.

Nearby—and 30 years apart . . .



Associated Architects: Harrison & Abramovitz and John B. Peterkin
General Construction: Turner Construction Co.
Owners: Galbreath Corporation

two generations of Allegheny Stainless on the skyline

New York City's new 42-floor Socony Mobil Building and famous Chrysler Building have much in common: close in location, big in size, both fine examples of Allegheny Stainless Steel applications.

The Chrysler Building pioneered in the use of stainless in architecture and construction technique. It was capped with a stainless steel roof of multiple arch design, surmounted by a stainless steel spire.

Periodic examinations of the Chrysler spire and roof show that the stainless is just as sound today as it was thirty years ago at construction. It's covered now with the soot and grime of the city, but it's bright as new underneath. With just ordinary cleaning, it would shine again.

The Socony Mobil Building, completely sheathed in stainless, is the world's largest metal-clad building. Over 10 acres of preformed stainless steel panels, embossed with three-dimensional patterns of triangular shapes for a pleasing light and shadow effect, are used.

In the Socony Mobil Building, as in the Chrysler Building, Allegheny Stainless contributes toughness, durability, and beauty. Permanent protection against weather and corrosion with minimum maintenance is the net result.

In addition to the building panels, spandrels and pier covers, Allegheny Stainless is used in the Socony Mobil Building's window sashes and frames, elevator cabs, doors and in many other architectural applications.

The services of our architectural division are yours in any way. For advice on how Allegheny Stainless—the time-tested stainless metal—can work for you, just write.

Allegheny Ludlum Steel Corporation, Oliver Building, Pittsburgh 22, Pa.

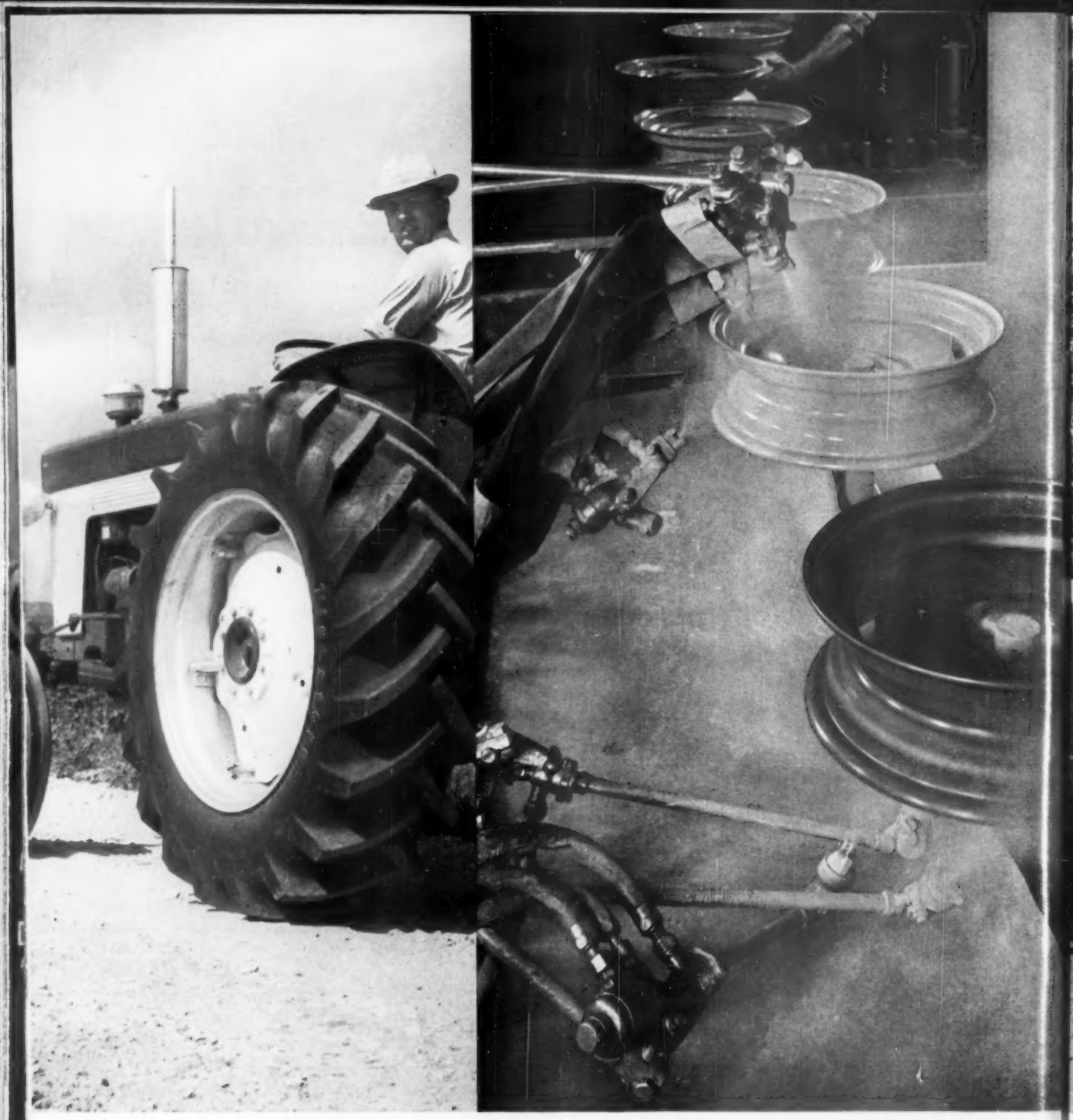
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Warehouse stocks carried by all Ryerson steel plants

A-L products: stainless, high-temperature, electrical and tool steels: magnetic materials, and sintered carbides



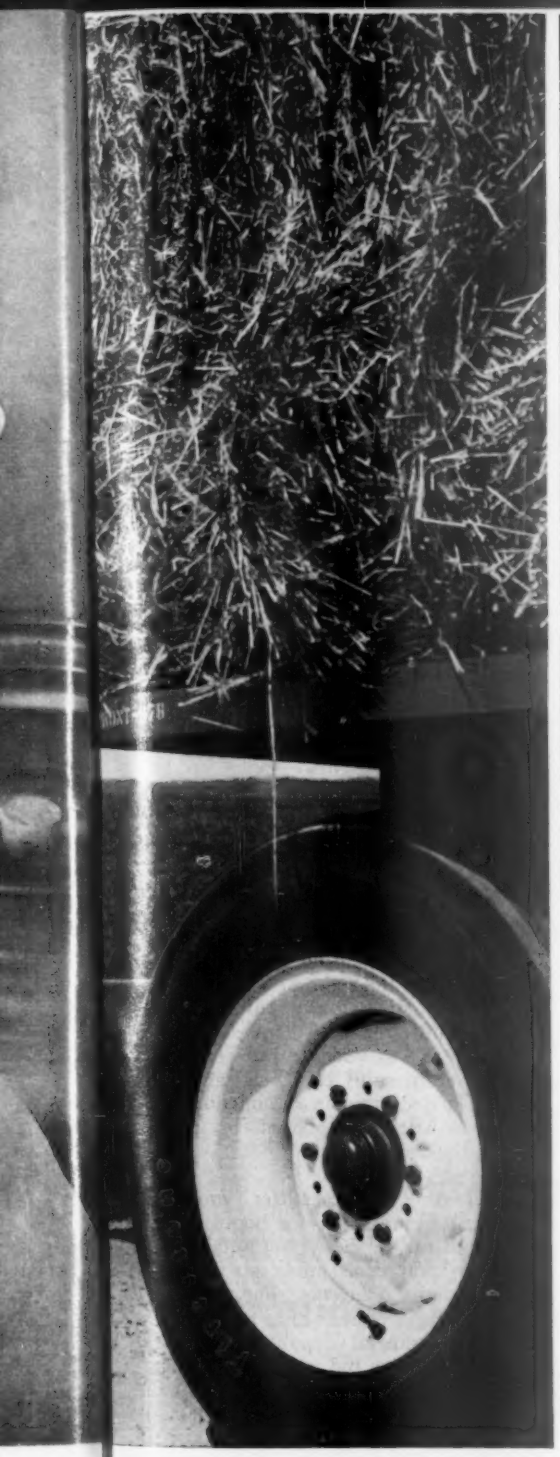
New dimensions in mobility for farm machinery: another contribution from the six fields of Firestone

The machines that take the drudgery out of modern farming are an important part of Firestone's business—for Firestone supplies them with new dimensions in mobility. Back in 1932, Firestone put the farm on rubber by pioneering and developing the first practical pneumatic tire for farm tractors. Today, more farm tractors and implements are equipped with Firestone tires than with any other make. And millions of these machines roll on Firestone rims and wheels. Yet these products represent only a part of hundreds made by Firestone in the fields of metal and rubber. In the broad areas of research and development, as well as in manufacturing, Firestone has continuously served the needs of America's growing economy. Making the best today still better tomorrow is a Firestone promise. And it's a promise that's being made good in six major fields of industry: rubber, metals, plastics, synthetics, textiles and chemicals.

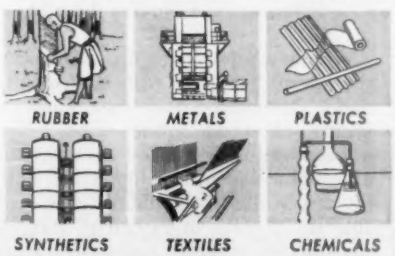
Firestone

MAKING THE BEST TODAY STILL BETTER TOMORROW

Copyright 1959, The Firestone Tire & Rubber Company, Akron, Ohio



THE SIX FIELDS OF FIRESTONE

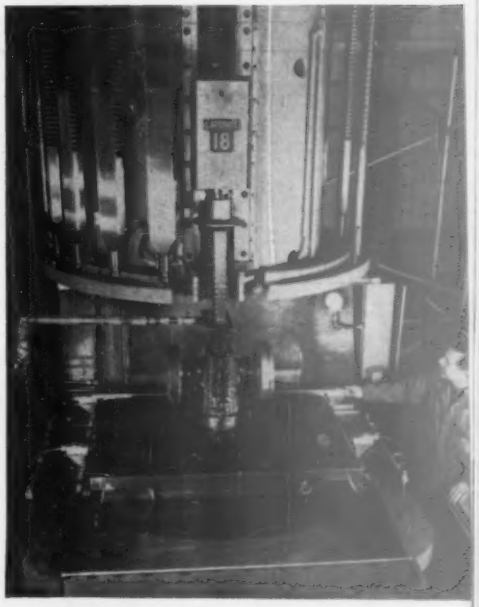


With a worldwide network of 66 plants in 19 countries, Firestone is famous for quality in six fields of industry which are vital to the welfare and progress of mankind.

NEW PRODUCTS

For Broaching in a Hurry

A new broach built on the turret lathe principle makes easy work of a tedious job.



SHAPING HOLES in metal is simpler with 21 broaches on LaPointe's new machine tool.

The LaPointe Machine Tool Co., Hudson, Mass., has speeded heavy broaching operations with the big machine tool at right. Broaching is used to shape and cut to proper size keyways, slots, odd-shaped holes, and other internal surfaces. With present equipment, it's a slow, precision job in which a tapered cutting tool with many teeth runs through the hole in the workpiece.

For its broach, LaPointe has adapted the turret principles used on lathes and drills. That makes it possible to do heavy work both precisely and quickly. The first vertical turret broach is set up to cut passageways ranging from $2\frac{3}{8}$x$2\frac{3}{4}$ in. to 3x$7\frac{3}{4}$ in. in big valves. However, the new machine can handle any job requiring internal finishing.

• **Just One Pass**—A turret 6 ft. in diameter contains 21 broaches of 80-in. size, racked up like pool cues. The turret uses up to 20 broaches in sequence on a surface, instead of only one, as has been standard machining practice. Because each broach makes just one pass, cutting speeds as high as 25 ft. per minute and fine surface finishes are possible.

The 21st broach position is for conventional, single-broach repetitive cutting. This makes the machine even more flexible. Any broach can be changed in five minutes.

The 60-ton pull, 78-in. stroke unit stands 36 ft. tall, with the hydraulic cylinder and automatic chip conveyor mounted in a pit below the turret. The operator controls the machine from a compact, simplified panel. He dials the size cut desired on the panel, then indicates by another dial whether the broaches are to cut in line or crosswise to the vertical axis of the turret. After that, built-in programing takes care of the rest.

• **Less Stress**—An indexing device positions a broach in proper sequence for the cut, drops the tapered end through the hole to be cut. Underneath, it's grasped by the pull-head of the hydraulic cylinder, then pulled straight down through the piece. LaPointe engineers claim the straight-line, dead-center pull eliminates stresses and strains that damage broaches in off-center broaching. At the bottom of the stroke, the top index guide releases the broach and allows it to pass completely through the piece. The work table moves away from the turret, and the broach returns to its place in the turret rack. This avoids damaging the broach by dragging its teeth back over the cut.

LaPointe's first turret broach went to Cameron Iron Works, Houston, where it has speeded up hole cutting in six-way oil gate valves. Old methods took 13 hours per hole for each of the six holes in a valve casting, or a total of 78 hours per valve. Now the job is broached at a rate of 15 minutes a hole, or two hours per piece including handling time. The first machine cost between $30,000 and $40,000, but subsequent installations may be less, depending on erection problems, accessory equipment, and size and number of broaches.

Ultrasonic Welding Joins Aluminum Foil and Sheet

Aluminum container manufacturers may be able to look forward to welded seams on aluminum "tin" cans, thanks to an improved ultrasonic welding process for foil and sheet. Developed by Aluminum Co. of America and Aeroprojects, Inc., West Chester, Pa., the continuous welder, called Sonoweld, uses the energy of sound waves vibrating above the range of human hearing to join aluminum sheet from .006 to .010 in. thick.

The first ultrasonic aluminum welders made only stationary spot welds (BW—Jan.3'59,p50). But with the new technique, the sheets move be-



How To Construct A Financing Program

The financing for a bulldozer . . . a new machine tool . . . or any income-producing equipment takes *specialized* handling.

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C.I.T. terms are *long*—with all payment schedules custom-built to your specific buying needs. If you choose, you can use long-term C.I.T. Pay-As-You-Depreciate financing. PAYD Plan payments parallel the equipment's efficiency and money-making ability . . . larger in the early years . . . lower in the later years.

C.I.T. Corporation financing is always designed with your particular purchasing problem in mind. For complete details, write or call any office listed below.

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New York 16 • Philadelphia-2 • Pittsburgh 19
Portland 4, Ore. • San Francisco 4 • Seattle 1

CIT CORPORATION

tween roller welding heads at speeds around 30 ft. per minute. Rates as high as 100 ft. per minute have been achieved on thinner material. Sonoweld gives tight seams from the start without long, poor quality beginning sections characteristic of some induction or resistance welding processes. Degreasing is all the preparation that's required of most aluminum alloys.

The developers hope to increase welding speeds and thickness of the material the welder can handle. The current model of the Sonoweld is priced at $4,500 and up.

NEW PRODUCTS BRIEFS

A 32-oz. paper pitcher made by the Dixie Cup Div. of American Can Co. is designed for use in hospitals. The pitcher is discarded after a patient's use, thus eliminating need for sterilization. The container has a snap-on cover that keeps out airborne bacteria, dripless fold-out spout and nests for storing in a fraction of the space taken up by glass, metal, or plastic pitchers. Cost: about 7¢ each.

•

Cleaning paint brushes and rollers is now a white-glove job. A new brush cleaner spins paint-caked brushes inside a jar containing a solvent solution. Solvent softens the paint and whirling spins it out of the brushes. A Yo-yo like mechanism sticks down through the jar lid and grips the handle of any brush up to 4 in. wide. A pull cord and spring return spins the brush at high speed. To dry, just spin without solvent. Westway Mfg. Corp., Westlake, Ohio, makes the Spin-Away for $5.95.

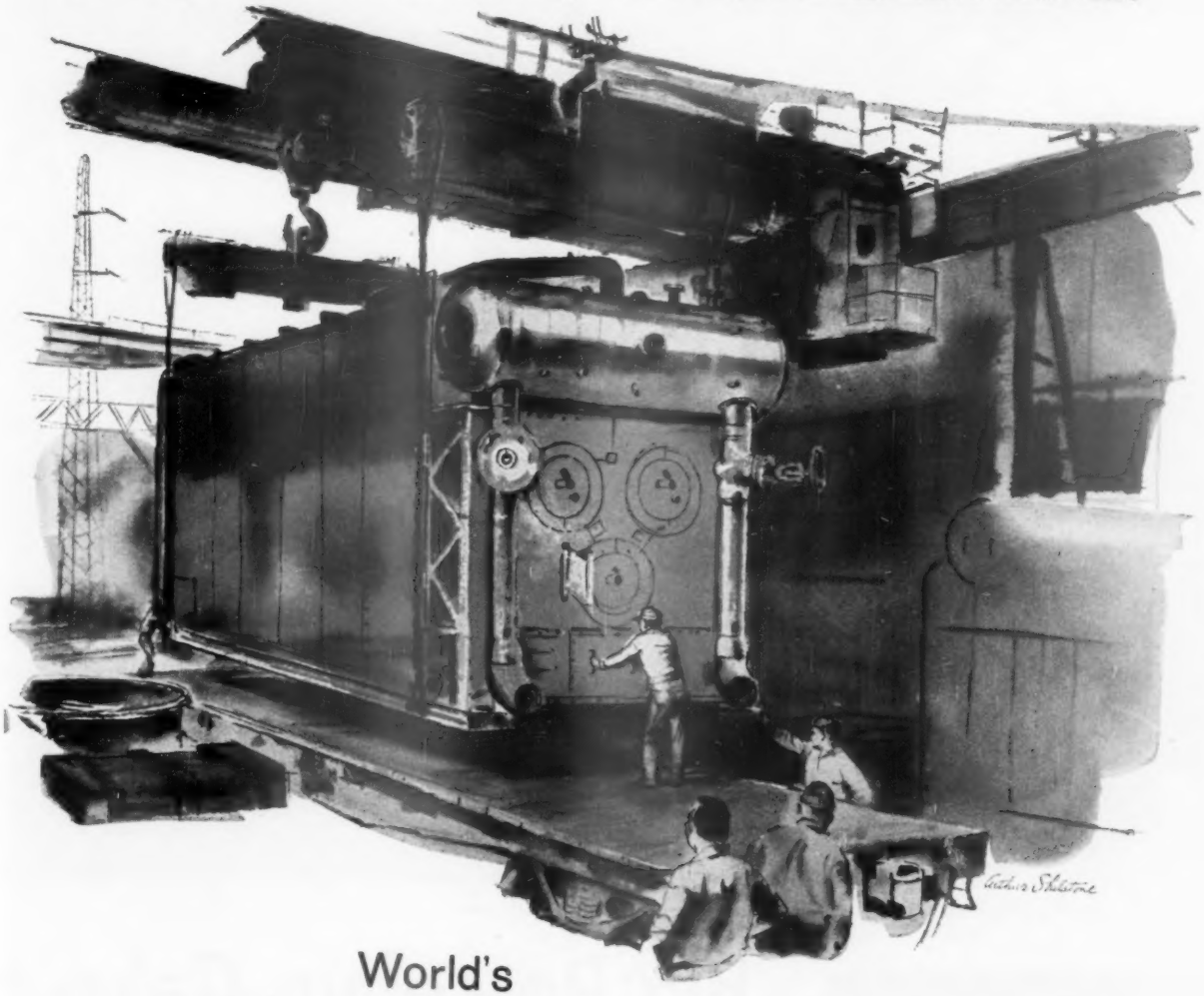
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An airborne demineralizer provides chemically pure water for boosting jet engine thrust on short runway takeoffs. A water spray cools intake air and increases engine efficiency, but minerals have to be removed first to prevent dangerous mineral deposits. Previous installations were too heavy to carry on planes; so an aircraft could get stuck on a short airfield that didn't have a distillation plant. The new unit weighs 200 lb., is 36 in. high, 14 in. wide, and purifies water at 25 gal. per min. The Belco Div. of Bogue Electric Mfg. Co., Paterson, N. J., makes the unit.

•

A new window gives the homeowner the advantages of no-rust, easy maintenance aluminum outside frames and the beauty of wood inside sashes. The wooden inside is bonded to an aluminum frame which has prepunched holes for easy nailing to studding. It's available in 25 sizes in casement, awning, and picture window styles. By Jervis Corp., Grandville, Mich.

"CREATIVE ENGINEERING" PROVIDES NEW TYPE OF PACKAGE BOILER TO MEET TODAY'S STEAM NEEDS



World's highest capacity Package Boiler removes traditional space and performance limitations

The flat car pictured above is carrying an engineer's dream. It's a space-saving steam generator which makes electric utility performance standards available to industrial plants. It's a unit of large capacity—yet it's factory-assembled and ready to be installed as a one-piece "package." It's a product which reflects C-E's record of developing steam equipment that introduces new standards of performance.

For the first time, here's a package boiler capable of producing over 100,000 pounds of steam every hour . . . and at pressures and temperatures previously unobtainable in a 'packaged' unit. These results are made possible by utilizing *C-E Controlled Circulation*, the most notable development of this decade in the field of large utility boilers.

Here then is another example of Creative Engineering —the C-E approach to providing the most advanced designs of boilers for all fuels and steam requirements —from those of small industrial and institutional plants to the largest utility power stations.

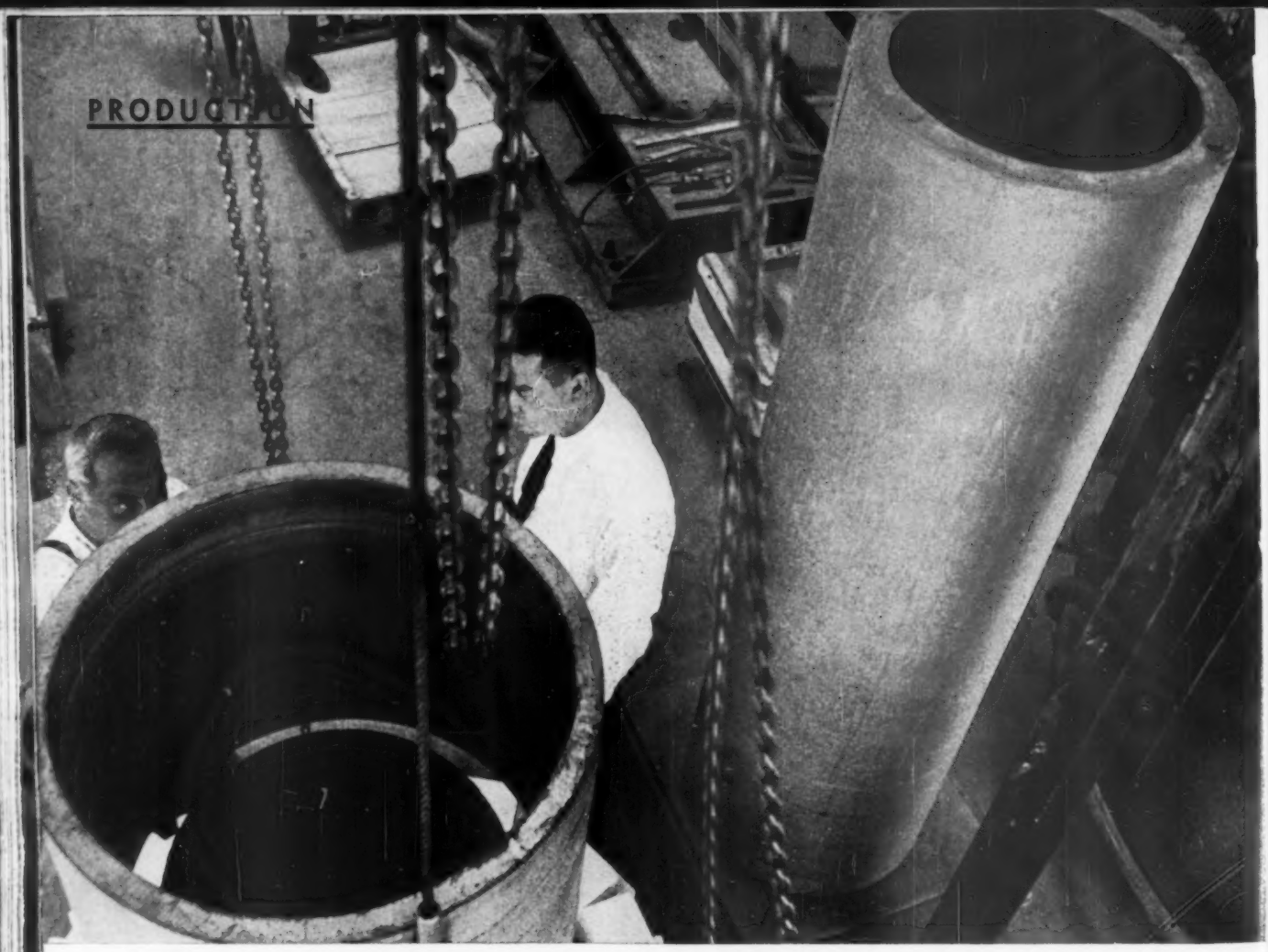
"CREATIVE ENGINEERING" is the reason for the leadership attained by C-E products. The products which bear this mark of leadership include:

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C-187A



BEFORE FIRING in the kiln, the big "green" (unfired porcelain) stands at right while men lift smaller piece with Pneumagrip.

Big Porcelain Cake in C



THOMAS MACEY, president of Frenchtown Porcelain Co., shows some of industrial ceramic products of his company.

Largest high-alumina porcelain part ever made will contain the highest temperatures yet produced on earth.

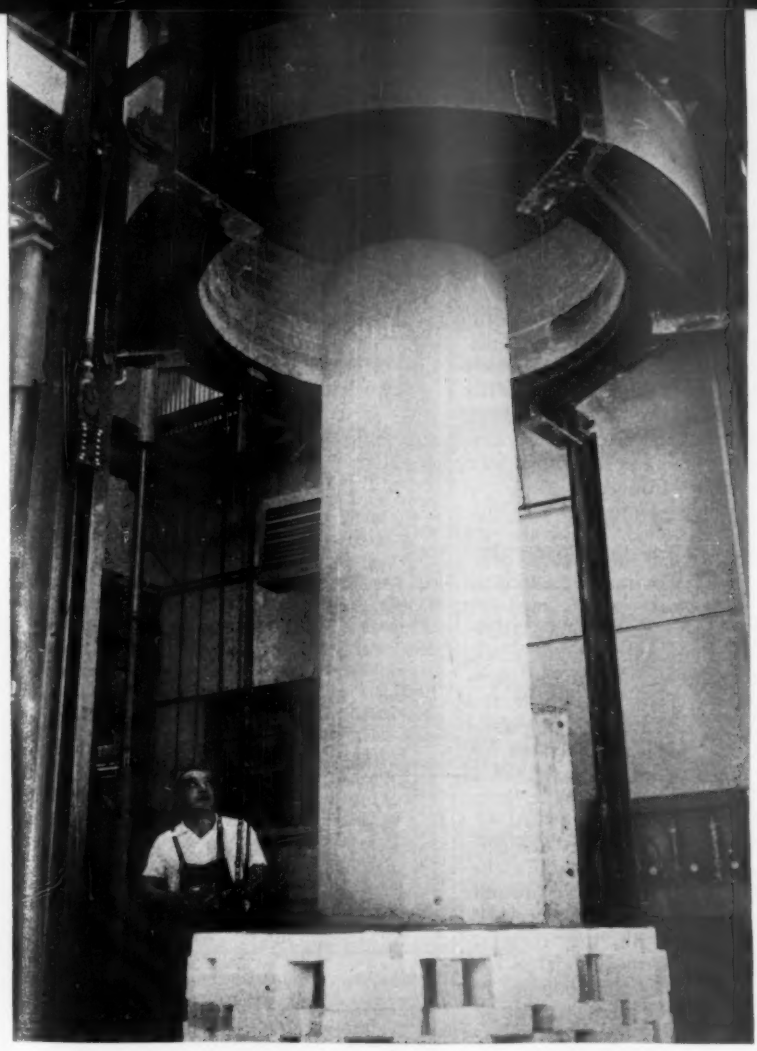
Pottery makers, plagued by competition of plastic and imported dinnerware, have been shutting down their kilns by the dozen. But another sector of the industry—high-alumina ceramics—is thriving as never before.

Aluminum Co. of America, prime source of ceramic-grade alumina for 40 years, estimates that tonnage of high-alumina ceramics has increased more than 12 times in the last 10 years. These are ceramics with a high content of alumina, a white, powdery form of aluminum oxide. Their ruggedness has won them many new industrial uses, from insulator bodies for spark plugs to high temperature valves for chemicals.

Until about 1940, nearly all spark plug bodies were made of common porcelain, subject to cracking. Now, all spark plugs have bodies of high-alumina ceramics that will stand up in hotter engines.

Spark plugs account for perhaps 40% of consumption of high-alumina ceramics, but other uses are growing fast, too. Electron tubes for high-powered transmitters, for example, increasingly use ceramics instead of glass construction. And specialty jobs like the one shown in the pictures are challenging the ingenuity of the ceramics experts.

• **Biggest Ever**—When it comes to picking material that will stand up under rough treatment, porcelain isn't usually the first that comes to mind. Most people think of it as a delicate material that needs a rugged core, such as the cast-iron shape in a bathtub. But when Princeton University scientists went looking for a nonmetallic cylinder for their Project Matterhorn—research in controlling the hydrogen fusion reaction that's used in the H-bomb—the only material that seemed to fill





BRITISH RESEARCH parts are poured in mold as man puts Pneumagrip on big tube.

KILN DESCENDS around the huge casting, which has to be standing exactly vertical.

Oven for Atomic Research

their needs was a tough type of high-alumina porcelain.

It took years to work out the problems of producing such a piece of ceramic—by far the largest piece ever made from high-alumina material—but the Frenchtown Porcelain Co. of Frenchtown, N. J., is now turning out the pieces, which will serve as chambers in the C-Stellarator at Princeton.

• **Must Stand Abuse**—When the equipment goes into action, scaling the fearsome power of the H-bomb down to controllable size, the ceramic chambers will contain gas that changes in a split second from extreme cold and near vacuum to a stream of ionized particles at temperatures of more than 100-million degrees and pressures of more than 20 atmospheres.

Of course, no material known can survive a temperature of more than 100-million degrees—even this tough porcelain. But the hottest part of the gas will be cramped in the center of the tube by strong magnetic fields. And designers of the C-Stellarator think the ceramic chamber can stand the rest of heat, along with the pressure change.

• **Production Problem**—Until this year, no one had ever tried to produce a high-alumina ceramic part much bigger than 24 in. in its longest dimension. The C-Stellarator chambers—and several of them are needed in case the reaction goes astray and vaporizes the pipe walls—have a finished size nearly 4 ft. long and a shade under 2 ft. in diameter. The finished piece has to be ground and polished to an accuracy of a thousandth of an inch so it will make a vacuum-tight press fit with the metal parts of the apparatus.

To end up with a finished piece of the proper size in alumina, which shrinks as much as 20% when it's fired, the green part—the unbaked shape that is pressure-cast in a mold—has to be about 8 ft. long and 27 in. in diameter.

Two years ago, the Matterhorn group took its problem to Frenchtown Porcelain Co. Neither the company president, Thomas M. Macey, nor its director of research and development, Daniel W. Luks, was able to guess what such a part might cost, but they took the job on a cost-plus basis.

• **Sealing Up**—Luks and Macey decided the best way to attack the problem would be to fire progressively larger pieces, establishing firing, physical support, and handling methods as they went along. The method worked well. In February, 1958, the first piece was fired—24 in. across and a mere 9 in. high.

While the scale-up experiments were in progress, Frenchtown set out to find a kiln large enough to fire the 90-in.-tall final piece. Bickley Furnaces, Inc., of Philadelphia took on the task of building the big cylindrical heating chamber, which can fire up to 3200F. "The kiln is not particularly novel," says Macey. "It's just taller."

• **Handle With Care**—As the fired pieces in the experimental program

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grew larger, a new problem arose. Green ceramic parts are extremely fragile. It's easy enough to pick up a trayful of spark plugs and put them in a kiln, but how in the world would you move a fragile casting (a strength of only 90 lb. per sq. in.) when it weighs 1600 lb.? The least concentration of stress at any point would turn it to dust.

The answer to the handling problem was solved with the help of the Presray Corp. of Pawling, N.Y., which made up a special steel drum lined with inflatable rubber rings (picture, page 78). Slipped over the green casting and inflated gently, the Pneumagrip device holds the part in a firm clasp.

• **Firing Position**—Firing the part under closely controlled temperatures—about 2700F—posed an equally difficult problem. Weak as the green part is, it gets even weaker at the moment the particles fuse into a crystalline solid—a time when it shrinks and flows.

Rigid supports are out of the question. Even the plate on which the part stands in the kiln can't be rigid—it, too, is made of green ceramic so it will shrink when the part fuses. That discourages the bottom of the tube from belling out.

Frenchtown's kiln men used the age-old technique of simply standing the part in the kiln and heating it up, but with particular care that the piece was exactly vertical. With the slightest tilt, they'd end up with a model of the leaning tower of Pisa, or 1600 lb. of scrap mixed with the fireback base of the kiln.

• **Success**—Frenchtown cast its first successful full-sized tube last June, shipped it off to the Navy gun factory, where it is being ground to its final dimensions. A second piece was shipped in August and a third went in the kiln this week.

There has been only one failure so far—and that happened when the local power went out. Loss of power allowed the kiln to cool too rapidly. Heat shock twisted the huge pipe into a lumpy abstraction.

• **More Business**—Frenchtown's success with this special part has already brought in some similar business. The company is casting some big square parts for Britain's Harwell nuclear research laboratories (picture, page 79).

Macey, a young, research-minded executive who came to Frenchtown from Stanford Research Institute only two and a half years ago, views his men's manufacture of outsized components with considerable pride but no awe.

"You can't consider it a scientific breakthrough or anything," he cautions. "We used rather ordinary techniques all the way through. We just had to develop some new knowhow."

Developing this kind of knowhow is exactly why Macey and several others

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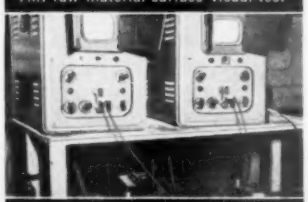
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were brought into Frenchtown over the past couple of years. In those years, the company has changed its product mix from almost exclusively spark plug insulators to 60% in technical ceramics such as tube bodies for RCA, catalyst carriers for the chemical industry, and insulating devices for many other electronics uses.

"Although the proportion of our business attributable to spark plugs has shrunk to 40%, we're doing more spark plug business than we were before," says Macey. The combination has pushed sales to nearly $5-million a year.

PRODUCTION BRIEFS

An atomic reactor design calling for a modern steam plant's highly efficient super temperatures and pressures will be jointly evaluated by the Nuclear Power Group, an R&D combine made up of large utilities, and Atomics International, North American Aviation's Nuclear Div. The new reactor would be the first to combine a graphite moderator with superheating.

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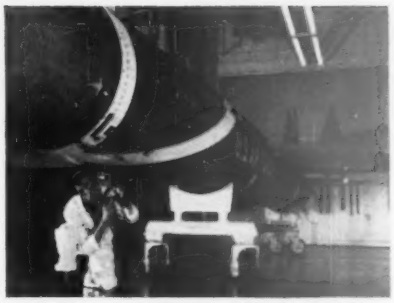
A super-cold freezing process for perishables and frozen foods may someday eliminate the need for mechanical refrigeration units on trucks and trailers. In the new one-shot process, developed and patented by Isbrandtsen Co., the New York-based shipping line, the perishables are loaded into specially designed insulated containers, quick frozen to −320F by the use of liquid nitrogen, sealed tight, and shipped. Test indicates that weeks later, after long ocean voyages, the temperature of the commodities will still be a safe −25F to −35F.

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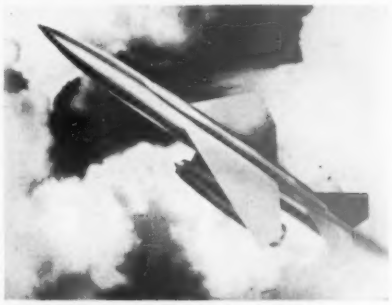
Dacron tires may be next. Firestone Tire & Rubber Co. scientists report that polyester fibers such as Dacron and Tervlene make excellent tire cord materials and promise to provide better tire wear and softer ride. Firestone will test its findings on a fleet of autos in various parts of the country. Confirmation from across the border came this week when Canadian Industries Ltd. announced a new polyester fiber–rubber bonding system.

•

Demand for its zinc-titanium sheet has led Hydrometals, Inc., to enlist Dow Chemical Co.'s help in producing it. Dow will produce the new zinc-based alloy at its big Madison, Ill., plant. According to Hydrometals, its new alloy—a blend of zinc, titanium, and copper—is the first zinc alloy that will not stretch or sag under tension or temperature change—a tendency that has limited zinc as a structural material.



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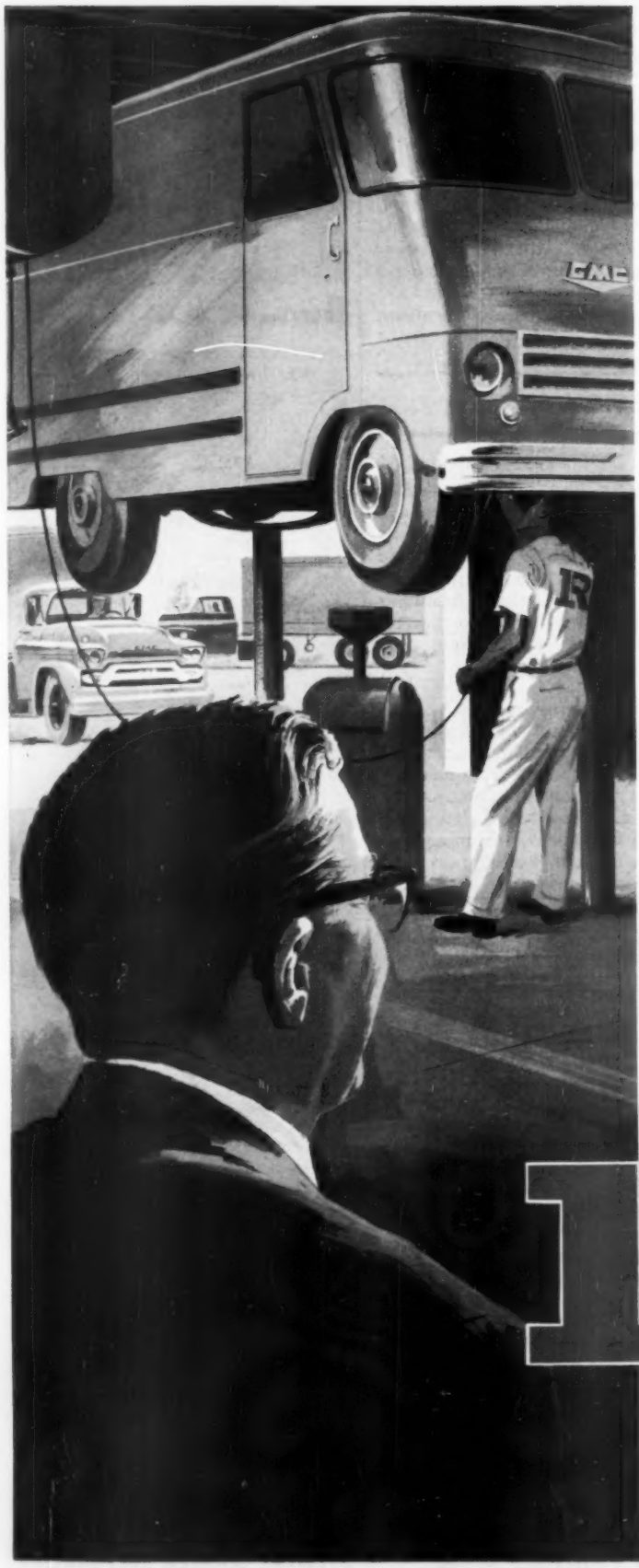
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INTERNATIONAL OUTLOOK

BUSINESS WEEK
SEPT. 5, 1959



The U. S. is at a major turning point in its postwar relations with the Soviet Union.

Pres. Eisenhower's upcoming talks with Premier Khrushchev may well lead to some relaxation of the East-West tension that has plagued the world since World War II.

More important, forces at work in the world—both military and economic—are far different from a decade ago. Thus the Big Two talks are not just the outcome of a Berlin crisis or Soviet missile threats. They are the first step toward an effort to take stock of a new alignment of forces.

Overriding factor is the development of nuclear bombs and the long-distance missiles to carry them.

At the end of World War II, the U. S. could boast a monopoly of atomic weapons. Then, Russia—followed by Britain—built a nuclear arsenal. Now France and possibly Communist China are about to enter the "atomic club."

In missile developments, the U. S. lagged behind Russia. But the Sputnik launching in late 1957 awoke the U. S.—and its West European allies. Since then, spurred by Soviet missile progress, the U. S. has rapidly closed the "missile gap."

Mere existence of nuclear missiles makes World War II look like a war of another era far in the past. Any extensive use of these sophisticated, highly destructive weapons in an East-West conflict would not be war in the old sense. It would be annihilation on a mass scale—and both Americans and Russians recognize that fact.

So far, the possession of nuclear missiles by both sides has turned traditional diplomacy into a poker game. The Soviets have used "missile diplomacy" to try to take West Berlin and split NATO's ranks. They clearly have tried to bluff us into making concessions. Yet neither side wants to call the bluff. The stakes simply are too high.

As a result, missiles are bringing one certain result. They temporarily are freezing the boundary lines between East and West. True, the Communists still hope to make gains. Witness Red China's aggression along its borders (page 36). But the Soviets now seem willing to talk about the world in terms of a nuclear stalemate in which neither side can make significant advances.

On the economic front, East and West each have a "new look." Russia and, to a much lesser extent, its East European satellites have grown industrially in the past five years. The U. S., on its part, has undergone an almost continuous boom since the war. Far more remarkable, our Allies who formerly depended on our financial aid now are on their own—stronger economically than at any time in recent decades.

Russia is out to catch up with us industrially. Scoffing at capitalism—yet jealous also of our progress—the Soviets have decided to race us to a sort of finishing line. Since Stalin's death, Moscow gradually has given the Russian people a taste for more consumer goods. Growth of heavy industry, of course, is still the main goal. But Khrushchev now probably cannot afford to go back on his promise of a higher living standard.

U. S. is at a later stage of economic growth than Russia—but not slowing down. Best proof of this is our almost single-handed effort to bolster the West and underdeveloped countries with economic aid. The

difference today—against a decade ago—is that foreign aid is a permanent fixture of Washington policy.

Western Europe is heading toward creation of a U.S.-type domestic market. In 1946 that looked like a pipe dream. But back on its feet and challenging the U.S. in overseas markets, Western Europe will be gradually forming a Common Market over the next 12 to 15 years.

Thus, East and West have a big investment—both financial and psychological—in economic growth. The Communists want more trade with us. They might even pay a political price to expand trade. Many West Europeans, on their side, see the Communist bloc as a growing market. And the U.S. is shifting toward a warmer attitude on Soviet trade.

In this framework, the cost to both sides of an arms race lasting far into the future would seem too high. Khrushchev undoubtedly realizes this—and is more willing now to talk arms controls with Eisenhower.

Worldwide tension doesn't stem solely from direct U.S.-Soviet competition. It's also an outgrowth of the nationalism that has swept whole continents since World War II. Nationalism, in turn, has made underdeveloped countries realize the big gap between rich and poor nations.

Today, Washington is vying with Moscow to help such countries as Ghana and Guinea develop their economies. Washington and Moscow also are competing economically in whole regions, such as the Middle East.

At the same time, nationalism is a backyard problem for both the U.S. and Russia. To see why, look at Red China and Latin America.

Red China is a potential troublemaker for Russia. Since the Communist takeover in 1949, Peiping has played second fiddle to Moscow. Yet China is growing more powerful. No one expects any serious breaks between Peiping and Moscow for a long time. But in Soviet long-range planning, Red China is a key worry.

Latin America still isn't happy over the treatment it gets from the U.S. It wants more financial help—and more sympathy—from us. Struck by nationalistic fervor, Latin America also is less inclined to take Washington's "suggestions" than it was after the war.

The Eisenhower-Khrushchev exchanges won't amount to an East-West showdown—in the easy sense of settling all differences at one swoop. Indeed, the discussions between the top leaders could fall flat.

But Eisenhower's successful swing through Western Europe (page 32) has shown that the U.S. and its Allies are ready to explore all ways of easing tensions. We favor a series of top-level meetings with Khrushchev—and possibly a Big Four summit conference. Extended discussions would not only buy time, but possibly lead to a more basic understanding between East and West.

Khrushchev, of course, can upset the talks by some unpredictable move. But he is not entirely his own boss, as Stalin was. To some extent, he has to answer to Soviet public opinion. He has loosened Moscow's controls over Russia just enough so that he cannot hide Kremlin policy-making completely from the Russians.

He can't afford to give the appearance of following a warlike policy. As a result, it's not too much of a long shot to bet on some accommodation emerging from the Big Two meetings.

Contents copyrighted under the general copyright on the Sept. 5, 1959, issue—Business Week, 330 W. 42nd St., New York, N. Y.



Union Pacific's new and mighty locomotive crests Sherman Hill, Wyoming, with a heavy load.

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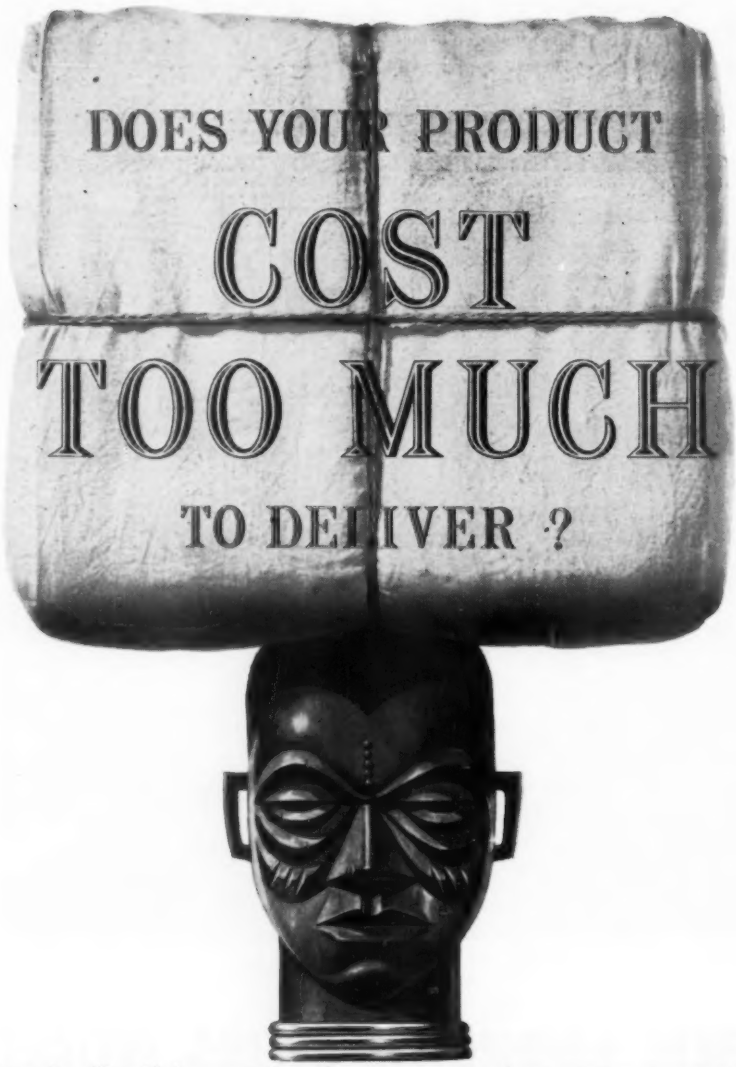
This new gas turbine-electric locomotive, built by General Electric for Union Pacific, is designed to haul freight faster and more economically. It burns less expensive "residual" fuel—a thick, viscous substance with a heavy tar content which must be heated before it will flow freely.

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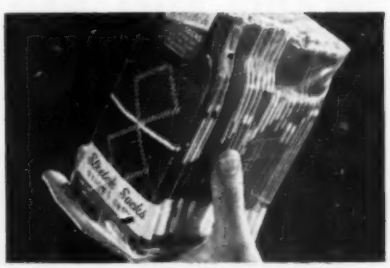
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Insiders

Lush profits are being amassed by selling shares in the companies that manage and distribute mutual funds—but SEC doesn't like it.

The three mutual fund leaders at right—and others like them—are squarely in the center of a new controversy in Wall Street and Washington. And, the squabble may wind up in the U. S. Supreme Court or the halls of Congress.

These men—heads of mutual fund organizations with $2.2-billion out of the industry's $15-billion assets—are among the first to cash in their personal interests in companies wholesaling mutual fund shares or supervising their portfolios. The question is whether they should be allowed to do so.

• **Inner Circle**—Generally, these men were among the founders of mutual funds. To control or manage the funds in which the public buys shares, they set up management companies to run the portfolios. Often the management company controls a sales subsidiary that distributes the fund's shares or, in some cases, the sales organization owns the management company which is running the mutual fund portfolio (BW—May 16'59,p155).

The fund, of course, pays a fee for these services. For managing the portfolio, the usual fee is ½ of 1%. For "wholesaling" mutual fund shares to dealers, the commission is ordinarily 2% of the gross charge of 8%. As sales of shares have boomed, these commissions have brought fancy earnings to the management and sales companies.

• **SEC Restrictions**—Shares in the management companies have been closely held. Indeed, from 1942 until a year ago, the Securities & Exchange Commission maintained a rule that stock in these companies could not be sold except at a very low nominal book value. In 1942 and the years immediately following, of course, the funds were small, and stock in the management concerns was not worth a great deal. Since then, with the boom in mutuals, management company stock has sometimes soared in value, and the original holders often want to sell out—usually for personal reasons.

Since last October, such sales have been legal. And investors have been willing to pay plush prices for this different kind of growth stock. Overnight, the sellers have become Wall Street's new multimillionaires:

Cash In on Managing Mutuals

Hugh W. Long, president of Hugh W. Long & Co., Inc., joined 13 other "insider" stockholders to market 280,000 nonvoting shares in the company, which sells the shares and manages the $735-million assets of four mutual funds. Of the almost $9-million proceeds from the sale, Long got $2.6-million. Several months earlier, Long and Thomas F. Chalker, executive vice-president, secretary and treasurer, realized $7.5-million by selling 240,000 shares to Townsend Corp. of America.

S. L. Sholley, president of Boston's $467-million Keystone Custodian Funds, Inc., took $1.2-million from the sale of 53,000 nonvoting common shares. He owned 238,500 of the 332,400 shares outstanding—and may sell more.

William H. Cooley, president of Chicago's Television Shares Management Corp., and 21 insiders owned 765,000 of 1-million voting shares outstanding. Cooley received $48,000 of the $5-million brought in by the sale of 206,500 shares. The company manages the assets and sells the shares of the $306-million Television Electronics Fund.

In a pending deal, 19 stockholders of Waddell & Reed, Inc., owning 689,200 of the 839,780 nonvoting shares outstanding, are ready to sell 290,000 shares—including Pres. Cameron Reed's 100,000 shares and Chmn. Chauncey Waddell's 46,000. Total value of the sale will run between $10-million and $11-million. The company, with more than 3,400 fund salesmen, retails the shares of the $728-million United Funds group of mutuals.

• **Clear Board**—The green light for mutual fund managers to sell their stock came when SEC failed in court to block the sale, for $4.5-million, of 88,000 voting common shares of Insurance Securities, Inc., manager and distributor of California's $335-million Insurance Securities, Inc., Trust Fund.

The timing was perfect. The income of management and distribution companies was rising rapidly, and their shares could quickly be sold at prices that amply capitalized future value of growing earnings. The fund managers had a reason to sell quickly: nettled by defeat, SEC may try another case, hoping for a decision the other way that would force the U. S. Supreme Court to review the issue.

• **Worries at SEC**—SEC still contends, for one thing, that a person responsible for managing other people's funds cannot capitalize the future value of his management contract, even if controlling interest is not involved. This view relies on the principle that a fiduciary cannot traffic in the estate of his office. Before last October, SEC insisted that transfers of management company stock had to be made at book value. In the case of Insurance Securities, book value came to only $1.81 a share, while the capitalized value of the contract was $50 a share when the stock was sold.

In winning the case, Alfred Jaretzki, Jr., Sullivan & Cromwell, argued fiduciary relationships exist between trust companies or bank trust departments and their clients, and insurance companies and the insured, yet all three corporate fiduciaries sell their stock publicly at prices capitalizing earnings, instead of some "book value" figure. He argued Congress provided adequate safeguards in the Investment Company Act of 1940. When sale of management stock involved sale of control, he also said, the company's contract with the mutual fund is automatically terminated, awaiting new approval by the fund's shareholders; thus, no change in control occurs without their consent.

SEC also fears deterioration of management competence and responsibility to shareholders if the new buyers take big blocks of stock and seek to be represented in the company's affairs. Fund managers retort that management and sales contracts must be approved yearly by majority vote of the independent directors. But SEC, still dissatisfied, may try to get a law passed declaring that management company stock is not property and therefore can't be transferred except through legal process to a beneficiary.

Another SEC complaint is that the management fees paid by some of the big funds are too high. Many mutual funds have grown mightily, but the cost of supervising portfolios has not gone up so sharply as fee income. It costs only a little more to run a $500-million portfolio than one of $200-million. A public market in management stock, SEC fears, will deter fund managers from reducing the fees and thus cutting into income.

• **Easing Estate Taxes**—For the mutual fund chieftains, the impetus to sell is not so much profit as to preserve their estates and diversify investments. They fear the prospect of leaving their heirs with a stock interest that SEC would value for sale purposes at book value, which is very low in a service industry—but which the Internal Revenue Service would assess at fair market value, based on present earning power. In



HUGH W. LONG turned $67,000 into $13-million in assets in fund companies.



S. L. SHOLLEY's Keystone Custodian Funds grossed $3.7-million in 1958.



WILLIAM H. COOLEY and others sold fund manager stock for $5-million.

one case, a fund manager estimated his estate taxes would be larger than the book value of his stock interest.

These men also feel an active market in their stock would establish a more realistic value for estate tax figuring than an IRS estimate.

Large funds also think a public market in management company stock is sound business on their part. They're anxious to merge with some of the smaller mutual funds, withering on the sales vine and ripe for acquisition. And if their company's stock trades in the market at a good price, this means they can offer fewer shares in any quick merger involving an exchange of management stock.

The industry also believes that a public market will provide continuity of management—difficult to maintain when the stock is closely held, since transfer of as much as 25% of the shares automatically cancels the management contract until the fund shareholders reestablish it. To counter SEC's charges that management responsibility is being diluted, most fund managers have been keeping firm control by selling only nonvoting stock.

• **Lots of Leverage**—So far, most sophisticated investors in management company stocks have profited handsomely. For example, stock in Investors Diversified Services, Inc., with relatively few shares outstanding, shot up in 11 years from $1 to more than $200 a share. This is because earnings from flat fees have risen so much more quickly than expenses. A typical instance is Hugh W. Long & Co., whose earnings improved at an annual average rate of 33% from 1954 to 1959 while expenses increased only half as fast.

In a declining market, of course, this leverage could work in reverse, though so far both sales and assets of most funds have done nothing but climb. Sophisticated investors are aware of the danger. Keystone's stock issued a few months ago was bid up to more than double the initial offering price of $24 a share. But there was a cooler reception to the recent Hugh W. Long and Television offerings; both are now trading below their offering prices.

Still, the prospect of creating a personal fortune in a hurry—most of it taxable only at the 25% long-term capital gains rate—has not escaped other mutual fund managers. So far, none has tipped his hand. But Boston's Vance, Sanders & Co., underwriters for five mutual funds, recently recapitalized to form both voting and nonvoting stock. Vance, Sanders handles the $1.5-billion Massachusetts Investors Trust and the $210-million Boston Fund. Philadelphia's Wellington Management Co., associated with the $950-million Wellington Fund, has done the same thing. END



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Dietrich Assembles a Business

Once chief lieutenant of Howard Hughes' vast enterprises, Noah Dietrich (right) is building a space age industrial group.



Noah Dietrich, confidant and financial associate of Howard Hughes for 32 years until their bitter break in 1957 (picture), is bidding to set up his own corporate empire.

Over the past 17 months, the 70-year-old Dietrich has quietly tied together a loose package of companies that he hopes will eventually grow into a new space-age industrial complex, despite their relatively small sales volume today. He has attracted cash backing for the venture, as well as executive talent from a number of top U. S. companies.

• **Insider**—Coming from Dietrich, this dream of building a new missile and electronics giant cannot be lightly dismissed. A one-time bank teller and accountant, Dietrich went to work for Hughes in 1925 as an executive assistant. He became privy to all of Hughes' doings and was soon functioning as managing director of Hughes' corporate holdings—Hughes Tool Co., Trans World Airlines, RKO Pictures, Inc. His specialty was finance—arranging loans, keeping a weather eye on balance sheets and profit-and-loss statements.

Dietrich earned a reputation as a hatchet man among the brass at Hughes, but he also earned their respect as an organizer. His 32-year tenure ended in 1957 because, Dietrich says, Hughes refused to set up a capital gains deal for him at Hughes Tool Co. At the time, says Dietrich, he was drawing a salary of $500,000. After the split, he sued Hughes for $2-million, but last month he trimmed his demands to $1-million and dropped most of the personal accusations against his former boss.

• **Own Team**—Now Dietrich intends to lead his own team. His chief allies at present are Richard Woike, New York financier, and Emmett T. Steele, former manager of military relations of Litton Industries.

Some men close to Dietrich—there aren't many—say part of his drive is to salve his pride by emulating Hughes and doing battle with him whenever he can. But others think Dietrich merely wants to feel the thrill of the chase again. In either case, Dietrich is building his new complex with care. Some of his activities are still in the negotiation stage. Dietrich won't talk about these. But there are a number of things he will talk about.

• **Foundations of a Group**—His chief vehicle will be Houston Fearless Corp., a small Los Angeles outfit that under one roof makes automatic film processing equipment, television studio and accessory equipment, and precision components for the missile and aircraft industries. The company had sales of only $4.2-million last year, with profits of $295,000; its backlog of orders amounts to $3-million, about 70% of this in military business but it has a capital deficiency of about $1-million. Dietrich, Woike, and Steele gained control of Houston Fearless last month, and Dietrich will assume the chairmanship Oct. 1. He intends to build its electronic business, expand present lines, and engage in acquisitions and mergers.

Dietrich also has a firm minority grip on Tool Research & Engineering Corp., a Compton, Calif., toolmaker, where he sits as chairman of the board. Tool Research also has a process for making stainless steel honeycomb material for missiles and ultrasonic aircraft. The company was created through a four-way merger this summer, but it, too, is still relatively small potatoes. Net sales of all four companies together in fiscal 1958 were only $2.6-million; net earnings totaled $36,318.

Dietrich scotches rumors that Tool Research will compete with Hughes Tool, principal supplier of drilling tools to the oil industry. "I haven't any desire to get into that oil field," says Dietrich. "Oil is passing out of the picture; it doesn't have growth to it." But the rumors persist.

• **Other Interests**—Dietrich also has a finger in Matthews Mfg. Co., a small privately held Los Angeles outfit that is developing a cold impact extrusion process. Dietrich claims this process is successful for the first time in making cold extrusions of the harder metals



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Still another iron in the fire is a syndicate of 12 people backing research in thermodynamics. One of their projects is a new type of fueling system for ultrasonic aircraft, to make it unnecessary to use the refrigeration systems that cool the leading edges and other surfaces of aircraft flying at extremely high speeds.

• **Key Company**—Dietrich picked Houston Fearless as the key company for his group, rather than forming a brand-new company, because it had the facilities, the engineers, and the existing contracts with the government.

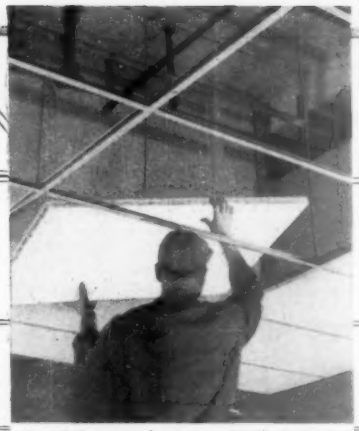
Houston Fearless was formed in 1949 out of Fearless Camera Co., solely owned by Ray C. Wilcox, and the Houston Corp., owned by Benjamin B. Smith. In 1954, Color Corp. of America acquired all the stock of Houston Fearless from Wilcox and Smith for $3-million, but the two men were given $2.9-million in notes that left them in control, since they were never entirely paid off. Houston Fearless operated as a division of CCA until 1957, when it regained its original name; the next year George E. Johnson, a retired executive of A. O. Smith Corp., was brought in as president at the insistence of Houston Fearless' bankers.

• **Dietrich's Tactics**—To make his pitch for the company, Dietrich first got together with David Holmes of the successful Harry & David Fruit of the Month Club. He also enlisted H. W. Jamieson, a founder of Litton Industries, who had left Litton and agreed to give 25% of his time to Houston Fearless if Dietrich and Holmes succeeded. This effort, in April, 1958, failed because, among other things, the roughly 40¢ per share bid for Houston Fearless' stock was too low.

Dietrich kept trying; on his next bid, last January, Steele was his partner. Then, in February, Woike entered the scene. Woike had heard in New York that Houston Fearless might be available for purchase, and he hurried West with the financial backing of a group including David Baird, a New York investment broker who has been involved in many such deals.

After several months of hard bargaining, Woike, Steele, and Dietrich achieved control of Houston Fearless by buying $1.4-million in notes and convertible debentures still held by Wilcox. Smith pulled out in 1955.

• **Sounder Footing**—To recapitalize the company—as well as to give the new owners a big stake—1.4-million new shares of stock were issued. Of these, 1.1-million shares went directly to Woike and Metrocap Co., which he controls, at $1 a share; Dietrich got 200,000 shares and Steele 100,000 at the same price. The market price was then about $2.50, but it has since jumped to $7. **END**



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In the Markets

• • •

Yields Soar on All Kinds of Loans In New Round of Interest Rate Rises

The rise in the commercial banks' prime rate this week to 5% from 4½% set off another big round of interest rate increases (page 26). In the wake of this move, whose timing caught the bond markets by surprise:

• An increase in the Fed discount rate immediately became a foregone conclusion—steel strike or not.

• Government bond prices tumbled to new record lows. Some government yields went over 5% on the bid side of the market, the highest in 38 years.

• Short-term interest rates shot up. The Treasury's 91-day bills traded to yield 4%, one-half a percentage point higher than the discount rate, while the 6-month bills were yielding over 4½%. Bankers' acceptance rates moved up ⅛ or ¼ to 4⅛% on 6-month paper. Commercial paper rates were hiked immediately by ¼ of 1%, and on the following day by ⅛ of 1%.

• Big corporate and municipal bond issues still in syndicate were trapped. At midweek, some $22-million of the $125-million General Motors Acceptance Corp. issue remained unsold, even though priced to yield 5% and non-refundable for five years. At least 25% of the $50-million Associates Investment Co. bonds were unsold, priced to yield 5⅛%.

Meanwhile, in the foreign exchange market, the pound sterling in London turned sharply weaker, and needed the market support of the Exchange Control. The easiness was ascribed to the fact that there was buying of U. S. dollars in London and most Continental foreign exchange centers as investors moved to invest in New York and Canada's high-yielding short-term securities.

• • •

Stock Prices Sag Further as Bonds Extend Their Advantage in Yields

Reacting to the latest rise in interest rates, the stock market this week declined, and found it hard to sustain any rally. Brokers report that investors are growing more conscious that bond yields are well above most stocks. They feel that the market will remain nervous until bond yields settle at new levels. They find it disturbing that trading volume appears to have dried up as credit has tightened.

The general feeling among Wall Street professionals is that the Dow-Jones industrial average will still hit new highs in the fall. But, as G. M. Loeb of E. F. Hutton & Co. puts it, it will do so under the impetus of a very limited number of issues.

This new caution is reflected in the wide range of price movements of specific stock groups in August. **Of 36 groups, only eight rose** while the rest declined.

In London, **British investors, for the first time in history, bid up stocks to the point where they now yield less than bonds.** At the end of last week, according to the reputable Financial Times, long-term bonds yielded 4.77% while stocks yielded 4.76%.

In the past, when stock and bond yields came close together in the London market, it was always a signal for a decline in the stock market. But London brokers, with an eye toward New York, where stocks have yielded less than bonds for over a year, think that the booming British economy is likely to keep stocks headed upward for some time to come.

• • •

New Charge Against Guterma Involves Alleged Aid to Dominican Dictator

The list of charges against financial operator Alexander L. Guterma is fattening steadily. Guterma already faces trial on federal fraud charges involving F. L. Jacobs Co. and Bon Ami Co., both of which he once headed. Last week he was indicted—along with fugitive financier Lowell M. Birrell—for allegedly defrauding United Dye & Chemical Corp. This week a new charge was leveled: failure to register as an agent of Dominican Dictator Rafael Trujillo.

According to the federal indictment, Guterma's latest troubles stem from an alleged deal last winter to propagandize the Dominican Republic via news broadcasts on Mutual Broadcasting System, which Guterma then controlled.

Guterma admits openly arranging "private financing" in the Dominican Republic to bolster his sagging empire. But he says this was a "normal loan transaction," with nothing whatsoever to do with the Dominican government. Mutual Broadcasting is not involved in the charges.

• • •

Third New York Stock Exchange Firm Under Fire on Charges of Wrongdoing

Another member of the New York Stock Exchange has run afoul of regulatory authorities for alleged manipulation. The Securities & Exchange Commission last week accused Bruns, Nordeman & Co. of rigging the market during 1956 and 1957 in stock of Gob Shops of America, Inc., a small Rhode Island retail operation.

SEC ordered hearings to determine if Bruns, Nordeman's broker-dealer registration should be suspended and if the firm should be expelled from the National Assn. of Securities Dealers. Bruns, Nordeman denies the charges, says it will answer them fully at the hearings, for which no date has been set.

This brings to three the number of NYSE members that have come under fire in recent months for alleged wrongdoing by partners or employees, though one case concerned commodities rather than stocks. Reynolds & Co. is waiting for SEC action after hearings on charges of irregularities in some of Reynolds' West Coast offices (BW—Feb.21'59,p114), and two E. F. Hutton & Co. employees were disciplined by the Dept. of Agriculture for their part in the rise of wheat future prices on the Chicago Board of Trade (BW—Aug.8'59,p105).

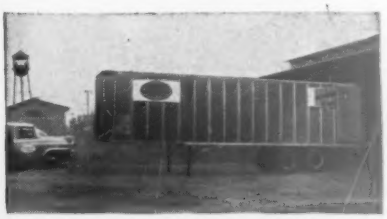
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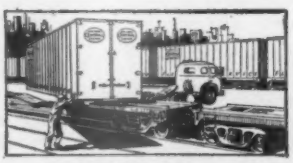
"We load Flexi-Van in two-thirds the time required for other road or rail equipment," says Mr. Carter. "We get second morning delivery at the consignee's dock in Chicago – a day faster than over-the-road. And best of all, *no* breakage. I am looking forward to still greater use of Flexi-Van as the service is extended to other points."

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Interpreter of Labor Reform

That will be job of NLRB General Counsel Stuart Rothman when Congress approves new labor legislation.

The calm, unruffled man pictured at the right will soon be handed the toughest and hottest assignment in labor-management relations.

He already holds an important post as the new general counsel of the National Labor Relations Board. But when Congress adopts labor reform legislation—and the prospects were good at midweek—Stuart Rothman will have the job of prosecuting labor for violations of new Taft-Hartley restrictions.

• **Trouble Spot**—It will be a legal hot potato for a man who must get used to juggling troubles. The general counsel's post has always been in the center of controversy. Only one of four previous general counsels filled out his full four-year term.

When a reform law arrives at the NLRB, Rothman must be the first one to read and understand the fine print, not only in the final law but also in the mountainous records piled up in six months of hearings, Congressional debate, and House-Senate conferences.

Rothman, a muscular, agile six-footer, admits the new legal language "will need some good lawyering."

Even without the problems possible from a labor reform law, Rothman could have more than a normal share of troubles. His predecessor, Jerome D. Fenton, left in a storm and Rothman arrived in another one.

• **Powerful Position**—The general counsel post—which is separate from NLRB—is critical and controversial because of its unusual authority. It ranks at least on a par with the NLRB itself. The general counsel is the sole judge of whether an unfair labor practice complaint under Taft-Hartley should be processed; if he says "no" there is no appeal, the board can't overrule him.

There are wider grounds for complaints in the prospective new reform legislation. It includes strong amendments to Taft-Hartley—the first substantive changes in 12 years of the labor-management law. For the most part, the changes would tighten up on union boycotts and picketing.

• **More Work**—While the reform proposals would plug up some of the loopholes in the old bill, writing more labor law doesn't make its administration any easier, as any thriving labor relations attorney will attest. Unions and employers have long since become expert at pinpointing Taft-Hartley openings, and many important issues, such as organizational picketing and crossing a picket line, still haven't been fully litigated.

The addition of new Taft-Hartley rules means much more work. The NLRB already has gone to Congress for $500,000 "as a starter" to meet the added workload.



STUART ROTHMAN, new NLRB general counsel, aims to speed work of board.

I. The Rothman Plan

"I intend to enforce Taft-Hartley vigorously. I'll be neither pro-labor nor pro-management," says Rothman. He concedes that while Taft-Hartley may be labeled pro-management, he processed a record-breaking number of cases against employers under the wage-hour and minimum wage laws as solicitor of the Labor Dept. His vigorous prosecutions have made management wary of Rothman.

Tabbed as a "lawyer's lawyer" by associates, the 44-year-old career government employee has already, after two months, stirred up the 1,242 employees under his control. He has revamped many operating procedures to try to cut down the heavy backlog of cases (7,660 throughout the whole agency as of July) and the time it takes to process them. And Rothman has tightened up on what he obviously considered lax work habits at the board.

• **Speed Record**—Already the record shows the Rothman touch. In August, his office received 85 cases and closed 113, a spread that substantially betters recent records. One reason: Rothman has developed "profiles" of regional offices showing the status of all cases—cases he insists must reach Washington within 45 days "unless they are on the way to settlement." This is several weeks short of the old average.

"I'm trying to find where the bulges are. We want to know whether there are differences between cases in North and South. And," he adds, "we want to look at the sophisticated suits . . . to find out whether they're good or bad." A better understanding of the cases, Rothman believes, will make for quicker handling.

• **Critical Survey**—Processing cases has been a losing game at the board. Cases pile up faster than they are decided.



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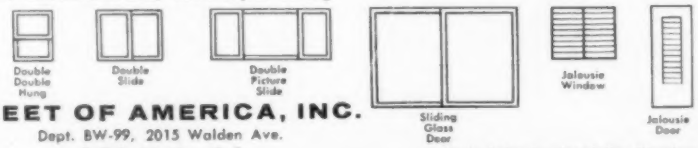
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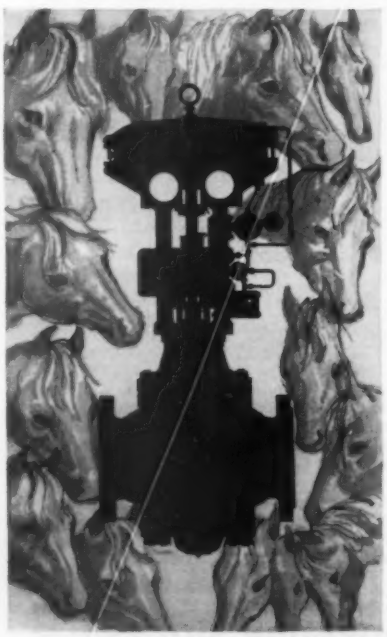
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MAIN OFFICE AND PLANT—MARSHALLTOWN, IOWA

It now takes about 18 months to get an NLRB ruling on an unfair labor practice case, by which time the remedy won't do much good. This was succinctly noted in a recent survey of board operations by a management consultant firm, McKinsey & Co., a survey so critical that it is spoken of only in hushed tones at the agency and is being kept under wraps.

II. The Administrator

Half of the general counsel's job is as chief administrator of the board. Even this function has raised a furor at the NLRB; it was directly responsible for the resignation of former General Counsel Fenton following a dispute with board members.

• **Source of Conflict**—Under Taft-Hartley, the board and general counsel are independent of each other. However, the general counsel has control over all personnel at the agency except for the office staffs of the members and a few others. On the other hand, board members have a right to exercise a veto over the counsel's appointments.

Fenton and the board members collided over this and the members won.

But Rothman, in office less than two months, now has full control, since the board has voluntarily given him a free hand, at least for the time being.

The McKinsey report describes employee morale as very poor and the agency's hiring policies as inadequate: it said the board has been getting mediocre performances from some of its legal assistants. Rothman sought to counteract this with a statement on the "aims and objectives" of his office, which says in part that merit would determine promotion, training programs would be developed, government incentive award programs would be supported.

III. Political Clash

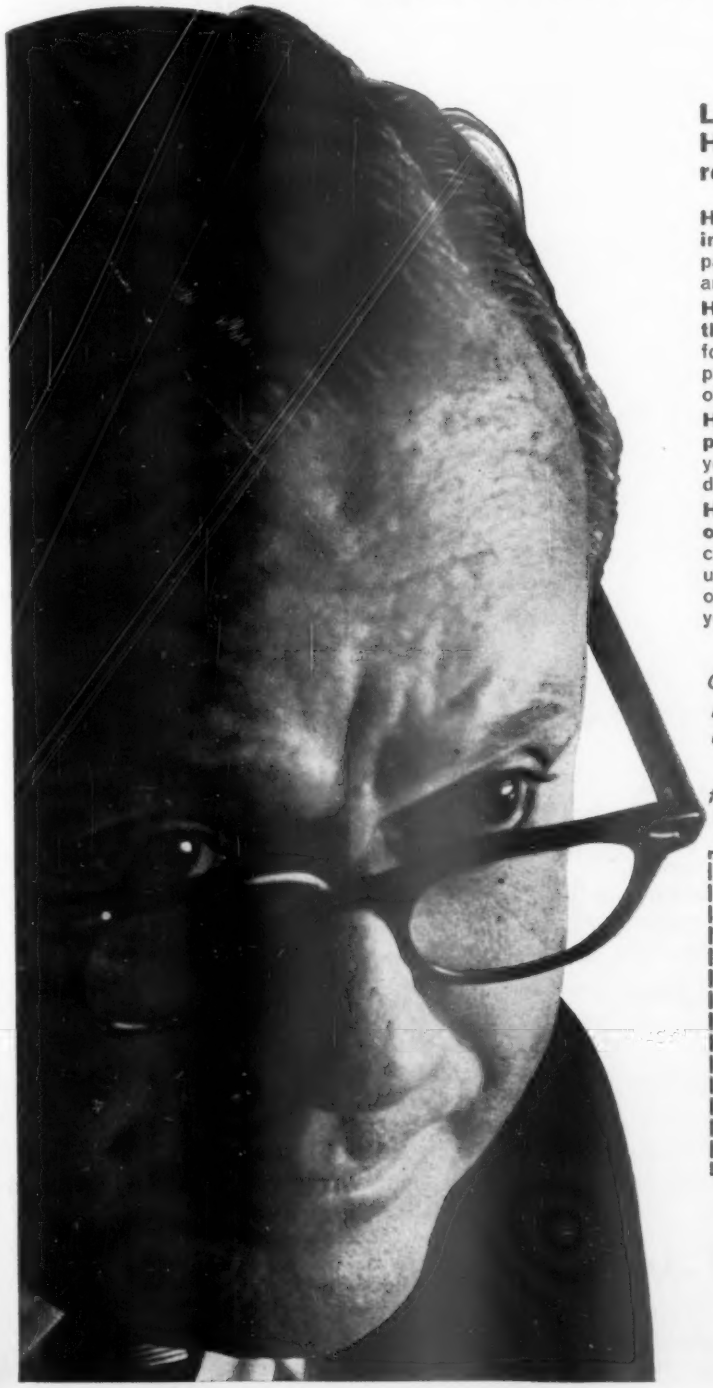
With all his responsibilities, the general counsel has one of the hot seats in a political battlefield. He is aligned with his former boss, Labor Secy. James P. Mitchell, who won Rothman his new job despite strong criticism by Republican conservatives. Sen. Goldwater sought to block the appointment.

• **Quiz Session**—Goldwater based his charges on Rothman's appearance before the Senate Labor Committee, when he and Mitchell testified on the Administration's reform bill. Rothman had a particularly tough time. Goldwater opposed the bill for not including tighter curbs on union activities.

Rothman's nomination by Pres. Eisenhower was held up for weeks in the Senate because of Goldwater's protest. But it went through quickly when Goldwater dropped his objections. **END**

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In Labor

• • •

Recession Causes Slight Shrinkage In Payments to Welfare Benefit Funds

Employee welfare benefit payments reflected the recession in 1958 by taking the first year-to-year drop since 1933, according to a National Industrial Conference Board analysis of Commerce Dept. figures. The dip was to $13,760,000,000 from 1957's peak of $13,774,000,000.

The employment cutback in 1958 curtailed payments into government insurance funds. Collections for federal old age survivors' and disability insurance fell to $3.5-billion from $3.6-billion in 1957; unemployment insurance payments declined to $1.8-billion from $1.9-billion.

However, private industry paid a record $7.2-billion into welfare and pension funds—$50-million more than in 1957. Compensation for injuries also rose.

Despite a slump-induced cut in benefits and wages, there was no change in the ratio of welfare benefits to over-all compensation of employees. Fringe benefits accounted for 6.5% of the $210.1-billion paid out in wages, salaries, and supplementary benefits—the same percentage as in 1957.

• • •

Statistician to Figure How Dock Workers Will Share in Savings From Automation

The Pacific Maritime Assn. last week chose a government statistician to work out a system for applying a mechanization fund created in recent West Coast longshore negotiations (BW—Aug.15'59,p122). Max Kossoris, head of the Western region of the Bureau of Labor Statistics, will take a year's leave of absence to do the job.

The mechanization fund was set up under a three-year contract between the association and the International Longshoremen's & Warehousemen's Union. The agreement provides that permanent dock workers are guaranteed a share of savings resulting from the introduction of labor-saving devices—an estimated $1.5-million for the first year. Employers will pay this amount into the fund for 1959-60.

Kossoris is expected to work out ways of measuring the effects of dockside automation and ways of distributing the mechanization fund among the dockers.

The longshoremen's union agreed to waive objections to the introduction of labor-saving machinery.

• • •

AFL-CIO Convention to Press Merger Of Local Labor Bodies Still Divided

Among other internal problems, the AFL-CIO convention in San Francisco this month faces a question of what to do about AFL and CIO organizations still unmerged four years after the national labor bodies united in December, 1955.

Almost all state organizations have merged. Federation patience with the few that haven't is running out. And, **with an important political year ahead, AFL-CIO wants the unification of county and city central bodies speeded up.**

Mergers have been accomplished smoothly and quietly in many instances. They have bogged down, often over comparatively minor matters, in others. For instance, in Wisconsin mergers have been completed in nine of eleven counties with AFL and CIO organizations; in one of the others, unresolved issues have been submitted to AFL-CIO Pres. George Meany for binding arbitration.

But AFL and CIO bodies in Milwaukee failed last week to agree on merger terms—balked by one issue, whether subscriptions to a council paper should be voluntary or mandatory.

• • •

Three Strikes End With Wage Increases; Fourth Settled for More Fringe Benefits

Four strikes—three of them long ones—ended this week in contract settlements.

• A 109-day strike ended when the International Assn. of Machinists accepted **a 10½¢ hourly wage increase** and an extra paid holiday offered by Fairbanks, Morse & Co., St. Louis manufacturer of heavy pumps and water systems.

• An 11-week walkout by the United Auto Workers against the J. I. Case Co.'s plant at Rockford, Ill., ended when the union accepted **an average 12¢-an-hour raise** for 1,400 employees.

• San Francisco's Teamsters strike ended in its 25th day when Local 85 approved a two-year contract for **a $12 a week wage increase this year and $9 more in 1960,** plus vacation and holiday gains. The strike, in part a revolt against local leaders (BW—Aug.29'59,p96), had tied up heavy freight movements in the Bay area.

• And a strike since Aug. 15 against the American Bosch Arma Corp. at Springfield, Mass., ended when the International Union of Electrical Workers signed a three-year contract. **No wage increase** will be given this year, but workers will receive an estimated 1½¢ an hour in increased fringe benefits. The contract provides for a 6¢ pay hike the second year, 7¢ in 1961.

• • •

Leather Workers Win a 6¢ Wage Boost, Plus Another 3¢ Effective Next Year

The Massachusetts Leather Manufacturers Assn. and the International Leather Workers signed a two-year agreement this week providing a 6¢-an-hour wage increase, effective Sept. 1, and a 3¢-an-hour boost next year. The contract also calls for some additional fringe benefits.

The new leather contract covers 1,300 workers in tanneries in Peabody, Salem, Danvers, and Woburn.



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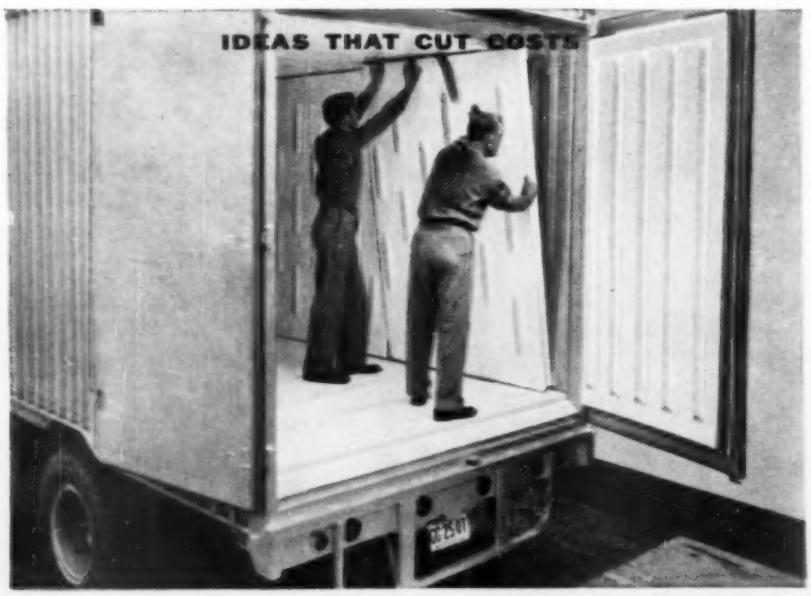
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Soft urethane foam interlining is a new feature of fall-winter fashions like this Swiss-cut jacket. Lightest interlining known, an eighth-inch layer retains warmth as well as bulky wool quilting. Foam interlinings are easy to fabricate, can be washed or dry-cleaned without losing shape or good looks. They're based on National Aniline's NACCONATE isocyanates.



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PERSONAL BUSINESS

BUSINESS WEEK
SEPT. 5, 1959



New York will offer some lively theater this season, judging by the number and variety of shows heading for Broadway. Five musical comedies and two revues—with over $5½-million advance sales, mostly to big theater parties—will open this fall. And 18 or more others, ranging from high comedy to serious drama, are due before the end of the year.

Rodgers and Hammerstein's **The Sound of Music,** starring **Mary Martin** in a musical about the Trapp Family singers, with book by Lindsay and Crouse, leads in pre-opening ticket tallies (Lunt-Fontanne, 205 W. 46th St., opens Nov. 12; top $9.90).

Later on comes **Saratoga,** from Edna Ferber's novel, Saratoga Trunk, with score by Arlen and Mercer and a cast led by **Howard Keel** and **Carol Lawrence** (Winter Garden, 50th St. and Broadway, Dec. 7; $8.60). David Merrick is producing **Take Me Along,** a musical version of O'Neill's Ah, Wilderness!, with **Jackie Gleason, Eileen Herlie,** and **Walter Pidgeon** (Shubert, 225 W. 44th St., Oct. 22; $8.60).

If you like dramatic comedy, Shakespeare's **Much Ado About Nothing** will have its Broadway premiere Sept. 17. **Sir John Gielgud** and **Margaret Leighton** head the London company for a seven-week engagement (Lunt-Fontanne, 205 W. 46th St., $7.95). There's a star-studded cast, too, for a 14-week run of Shaw's **Heartbreak House,** with **Maurice Evans, Sam Levene,** and **Dianna Wynyard** (National, 208 W. 41st St., Oct. 18; $6.90).

Melvyn Douglas has the lead in **The Gang's All Here,** a political play about an easy-going man rocketed to power (Ambassador, 215 W. 49th St., Oct. 1; $6.90). **Only in America,** with **Nehemiah Persoff** playing Harry Golden, opens Nov. 19 (Cort, 138 W. 48th St., $6.90). Paddy Chayefsky has written **The Tenth Man,** a comedy-drama of human relationships, directed by Tyrone Guthrie (Booth, 222 W. 45th St., Nov. 5; $6.90).

On the serious side, **Anne Bancroft** portrays Annie Sullivan, the young woman who taught Helen Keller, in **The Miracle Worker** (Playhouse, 137 W. 48th St., Oct. 19; $6.90). **The Flowering Cherry** with **Eric Portman** and **Wendy Hiller,** concerns a braggart's disintegration (Lyceum, 149 W. 45th St., Oct. 21; $6.90).

Dore Schary tells of an atomic scientist's conflicts in **The Highest Tree,** with **Kenneth MacKenna** (Longacre, 220 W. 48th St., Nov. 4; $6.90). A German tutor's effect on an English family is the theme of **Five Finger Exercise,** starring **Jessica Tandy** (Music Box, 239 W. 45th St., Dec. 2; $6.90).

Here are other coming shows, any one of which also may turn out to be a conversation piece:

Musicals. Fiorello: deals with the late New York Mayor LaGuardia's early years (Broadhurst, 235 W. 44th St., Nov. 23; $8.35). **Bert Lahr** and **Nancy Walker** clown about in **The Girls Against the Boys,** a revue (Alvin, 250 W. 52nd St., Oct. 27; $8.05). **Happy Town,** set in Texas, gives **Henry Hull** his first musical role (54th St., 152 W. 54th St., Oct. 6; $8.35). A two-man revue, **At the Drop of a Hat,** will arrive after a long London run (Nine O'Clock Theatre, 252 W. 45th St., Oct. 8; $6.90).

Comedies. Rex Harrison and **Roddy McDowall** perform in **Time's Fool,** about a quixotic French general (ANTA, 245 W. 52nd St., Dec. 8; $6.90). **Moonbirds** stars **Wally Cox** as a school official who can turn people into birds (Cort, 139 W. 48th St., Oct. 6; $6.90). Beating a gambling wheel with electronic equipment is the crux of **The Golden Fleecing** with **Tom Poston**

(Henry Miller, 124 W. 43rd St., Oct. 15; $6.90). **And** what happens when a man is reincarnated as a woman is the nub of George Axelrod's **Goodbye Charlie** with **Lauren Bacall** and **Sydney Chaplin** (Lyceum, 149 W. 45th St., Dec. 17; $6.90).

Dramas. Kim Stanley has the feminine lead in **Cheri,** Anita Loos' adaptation of two Colette novels (Morosco, 217 W. 45th St., Oct. 9; $6.90), while **Julie Harris** will appear with **June Havoc** in **The Warm Peninsula,** about a girl seeking romance (Helen Hayes, 210 W. 46th St., Oct. 20; $5.75). **Henry Fonda** and **Barbara Bel Geddes** co-star in **Silent Night, Lonely Night,** a love story (Morosco, 217 W. 45th St., Dec. 3; $6.90). A new William Inge drama, **A Loss of Roses,** concerns rebellion against matriarchal domination (Coronet, 230 W. 49th St., Nov. 25; $6.90).

If you're interested in organizing a theater party, contact a licensed theater party agent. Lenore Tobin, 246 W. 44th St., New York 36, or The Ivy Larric Theatre Party Bureau, 1457 Broadway, New York 36, are two suggestions (BW—Dec.8'56,p110). When ordering individual tickets by mail, give several alternate nights if possible, and enclose a stamped, self-addressed envelope.

A tip: You can get a line on "benefit night" tickets for top shows through the **Community Council of New York.** Write Council's Benefit Calendar, 345 East 45th St., New York 17.

—•—

Nuclear note: You may have to wait a long time to travel aboard the world's first commercial ship powered by atomic energy. The Nuclear Ship Savannah (freightliner) is scheduled for its maiden voyage early in 1961 but, as yet, there are no definite plans to take passengers.

The vessel has 30 air-conditioned staterooms for 60 passengers but itineraries and fares won't be announced for many months. Write States Marine Line, 90 Broad St., New York 4, N. Y.

—•—

New federal tax form: It's not official yet, but there's a new short (two-page) **form, 1040W,** in the works for reporting income for next year.

It's designed for those with income from salary or wages regardless of amount, but not more than $200 dividends and interest. On the long form 1040, dividends and interest have to be reported on page 3, requiring a second sheet. The new form, unlike form 1040A, offers a choice of itemizing deductions or taking the standard deduction.

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Hobby lobby: Clocks, coins, and carving get detailed treatment in three new well illustrated books.

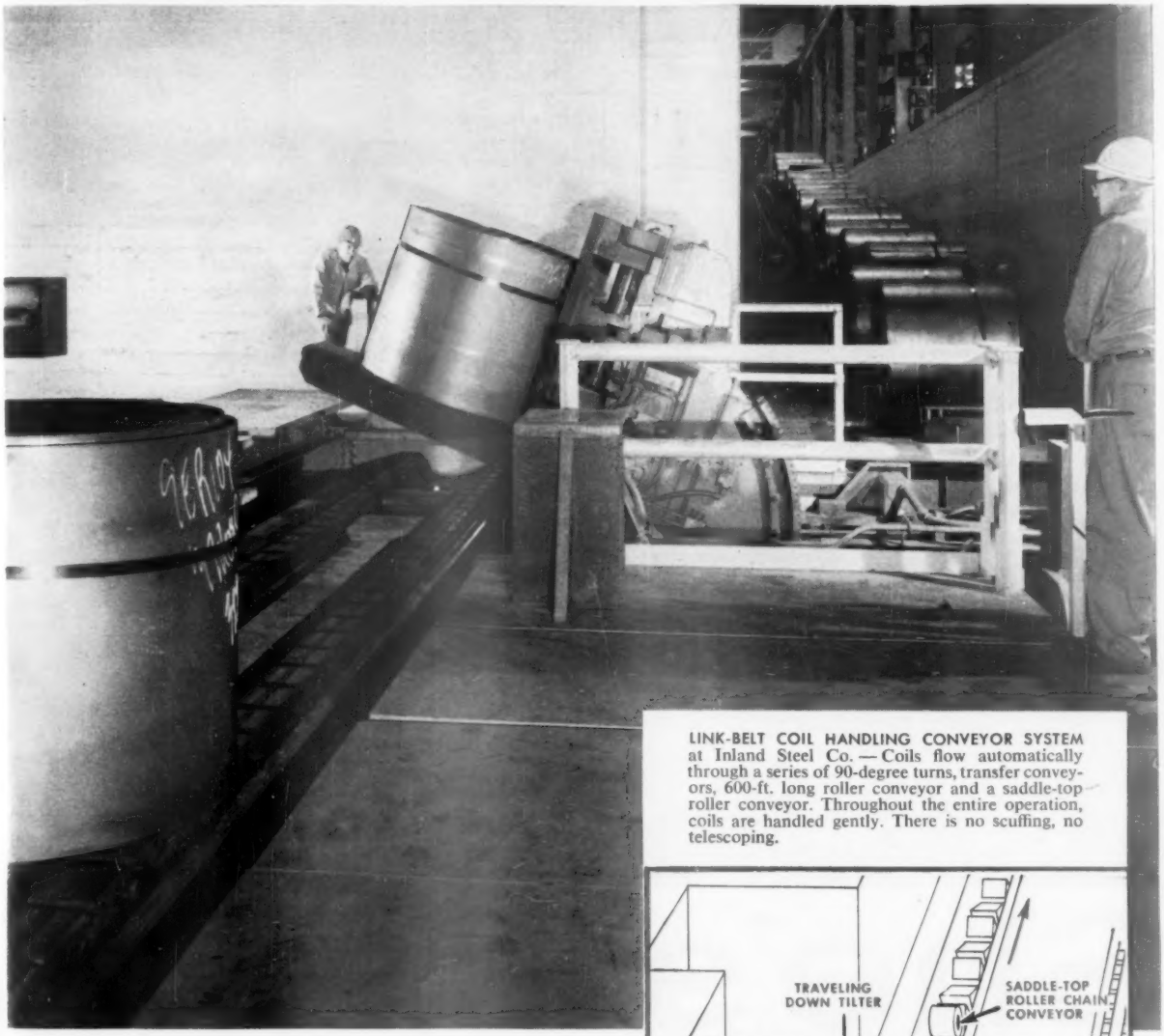
Old Clocks (Practical Handbooks for Collectors series), by H. Alan Lloyd, a Fellow of the British Horological Institute, covers clockmaking from earliest times (Essential, $7.50).

A Simplified Guide to Collecting American Coins, by Hugh McCown Knight, lists important coin events by year from 1652, plus representative market values (Doubleday, $2.95).

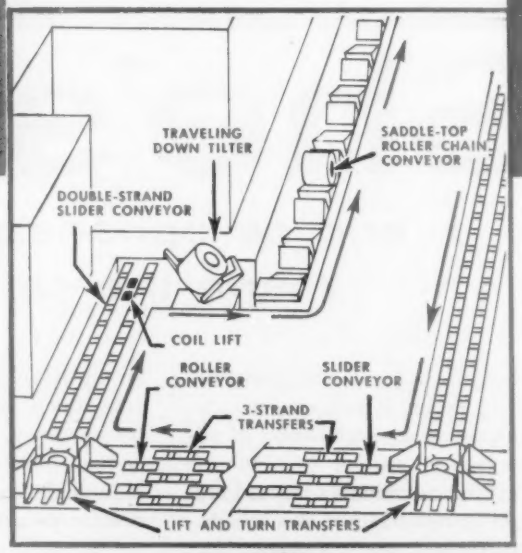
Wood Carving With Power Tools, prepared by Ralph E. Byers, has complete instructions for this modern carving technique (Chilton, $7.50).

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In Management

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D. A. Bessmer Named President Of Timken Roller Bearing

D. A. Bessmer, executive vice-president of Timken Roller Bearing Co. since 1957, this week became president of the Canton, Ohio, manufacturer of bearings, rock bits, and other steel products. He succeeds W. E. Umstattd, who will continue to serve as a director and chairman of the executive committee.



D. A. Bessmer

H. H. Timken, Jr., is relinquishing the title of executive vice-president but will continue to be chairman of the board. W. R. Timken is giving up the title of vice-president but will continue to serve as chairman of the finance committee. **H. E. Markley will be executive vice-president.** Bessmer has been with Timken since 1933, serving as service engineer, sales engineer, director of purchases, president's assistant and vice-president.

Eastern Air Lines, Inc., has a new president and chief executive officer, too. **E. V. Rickenbacker, boss of the company ever since it was separated from North American Aviation, Inc., in 1938, is stepping aside, and Malcolm MacIntyre, U. S. Under Secretary of the Air Force until last July, is taking over the top spot.** Rickenbacker will continue to be a power in the company as chairman and head of the executive and operations committees. Thomas F. Armstrong, now president, takes the title of executive vice-president overseeing fiscal affairs.

• • •

Corporate Generosity to Education Undimmed by Last Year's Recession

Despite the recession, American corporations gave more money to education last year than in 1956, the Council for Financial Aid to Education, Inc., concludes from its latest biennial survey. The 215 companies that reported in both years increased the amounts of their donations by 23.5% in 1958.

Among industry groups, the banks showed the biggest jump in aid to education—more than 200%. Utilities nearly doubled their donations.

The 352 companies included in the 1958 survey gave nearly $49-million to education, 0.27% of their combined net income before taxes. Twenty-eight of them—twice as many as in 1956—contributed 1% or more of net income before taxes; 91 coughed up $100,000 or more, compared to 55 in 1956. One company, through its foundation, gave almost four times as much as it earned last year; eight companies made donations despite operating losses.

MORE NEWS ABOUT MANAGEMENT ON:

• P. 110—Gardner-Denver, after almost merging with Dresser, now challenges the field with drilling equipment of its own.

• • •

Boss Assures Tremco Mfg. Employees He Has No Intention of Selling Out

William C. Treuhaft, president of Cleveland's Tremco Mfg. Co., last week assured his employees that the company's sales were well ahead of a projected five-year plan to achieve a $20-million volume by 1962. The assurance was contained in a letter written to employees to clarify for them an article appearing in BUSINESS WEEK (BW—Aug.15'59,p64).

The letter further stated: "Should the objective not be reached by 1962, I have no intention of selling controlling interest. We shall continue to strive to work out a sound basis for achieving our over-all objective, of continuing the control of the organization in the hands of present management."

Treuhaft assured his employees, "I want to do all in my power to see that when I am no longer active, control of the company will remain in the hands of the management team."

• • •

Dips in Profits Bring Dips in Salary To Chief Executives of Many Companies

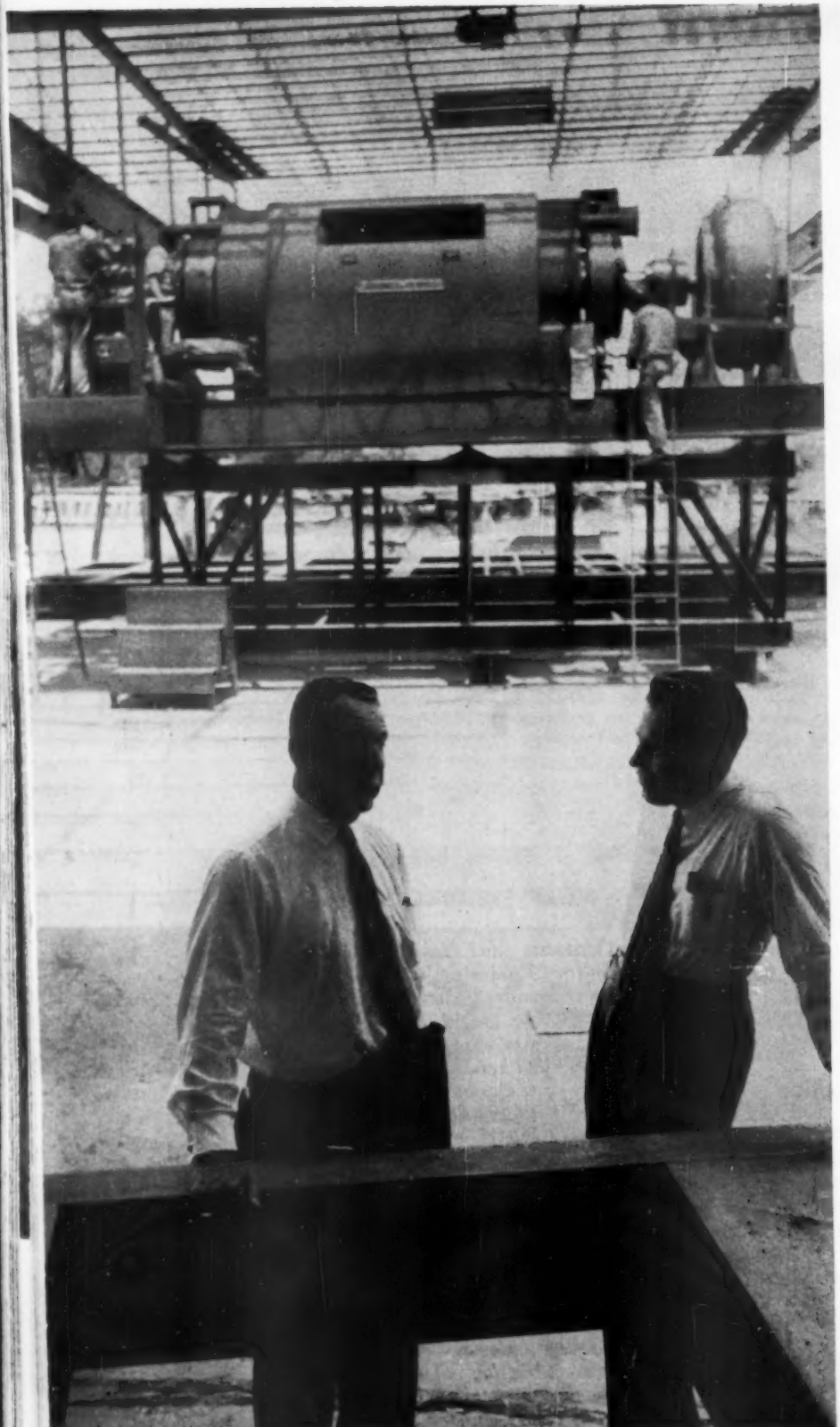
Corporate chief executives took pay cuts last year in 13 of the 23 industries studied by McKinsey & Co., Inc., in its fifth annual survey of top management compensation.

The average industry drop ranged from 0.2% among railroad chief executives to 8.7% among industrial machinery chief executives, J. McLain Stewart of McKinsey reports in the September-October issue of the Harvard Business Review.

The over-all average in the 791 companies covered in the survey declined 1.8%.

While presidents were feeling the pinch of the recession, the average compensation of the second-, third-, and fourth-ranking executives in their companies went up. Although this narrowing of the pay spread within the top management hierarchy may reflect changes in responsibilities, it is also possible, Stewart suggests, that the chief executive is more severely penalized for profit declines than other members of the top executive group.

The relation between pay and profits is not clear-cut, however. The companies' profits, on the average, declined much more—11.7%—than their chief executives' salaries. Every industry that increased its profit increased the compensation of chief executive officers. But not every industry with lower profits cut pay.



NEW LINE—Pres. Gifford Leece (left) is betting on big machines like draw-work behind him to put Gardner-Denver into oil-drilling rig equipment business on its own; with him is Charles Mayhew of G-D Mayhew Mfg. Div., Dallas, where they'll be built.

Challenging

Gardner-Denver, once about to merge with Dresser, now takes on the field on its own.

If you can't lick them, join them. That piece of homespun wisdom often represents the management philosophy behind a corporate merger.

Now Gifford V. Leece, president of Gardner-Denver Co., seems to be trying to reverse the adage. After a merger attempt was dropped, the Quincy, Ill., capital goods producer is out to demonstrate that growth can also be achieved the hard competitive way.

Gardner-Denver, a maker of compressed-air and related equipment, is so far known to the oil industry chiefly for its mud pumps. But Leece is determined to broaden its line to include just about everything needed to drill an oil well.

A couple of years ago he seemed on the verge of reaching that goal by the relatively simple merger route—through a tie-up with Dresser Industries, Inc., $200-million-a-year-plus maker of equipment for the oil and gas industries. But the proposed combination fell through just before the papers were to be signed.

Now Gardner-Denver is introducing its own oil-drilling products. In the process it is challenging such established manufacturers as Continental-Emsco Co. Div. of Youngstown Sheet & Tube Co.; Oil Well Supply Div. of U. S. Steel Corp.; National Supply Co., which last year merged into Armco Steel Corp.—and, of course, Dresser.

• **On the Way**—The new line is already well started. The first two items—a draw-works, or hoist; and a compound, or group of power transmissions—have already gone into operation on a drilling job in Mississippi. A new rotary table for turning oil drills, and crown and traveling blocks—wheel and pulley set-ups used to pull drills and drill-pipes out of the ground—are now in the field test stage.

All are heavy drilling rigs. Lighter equipment will follow. Gardner-Denver's aim is a full line of drilling-rig components in various sizes, plus its mud pumps and a new group of air compressors it has developed for air drilling.

• **Plan for Growth**—This rounding out of Gardner-Denver's oil-country equipment line is part of a multi-pronged expansion program charted by Leece five years ago when he first became president. Even before that, Leece, functioning as a sort of executive vice-president without formality of title, had

the Big One You Wouldn't Join

been given authority to beef up the sales force, undertake an intensive sales training program, and put more emphasis on product development. By 1954, when Leece became president, sales had reached $31.2-million, a 50% increase in five years.

After Leece took over, that growth accelerated. The 100-year-old company has increased its sales more in the past five years than in the previous 95. The sales total was $63.5-million last year, with about $70-million forecast for 1959.

Leece hopes to add as much again in the next five years. He is aiming for $110-million by 1963. Most of this is expected to come from expansion of present products—chiefly drills, air compressors, and precision tools for mining, construction, petroleum, and general industrial applications.

• **Biggest Need**—But for at least a quarter of the hoped-for sales increase Leece is banking on new products, such as the oil equipment. Gardner-Denver has been selling to the oil industry since 1901, when the first big well came in at Spindletop, Tex., and the little company realized that its declining line of industrial steam pumps could be converted into mud pumps to cool and lubricate drilling bits and clean out drill cuttings. Oil field sales now make up about a fifth of its total business.

But it has never had a full line for drilling. And that, Leece feels, is what is needed to meet the requirements of the oil industry.

• **More Ways Than One**—The Dresser merger looked like a natural. Gardner-Denver lines dovetailed with Dresser's and the combination could have meant a full oil-country product line backed up by an experienced sales and engineering force. But Gardner-Denver, which was looking for integration, couldn't mesh with Dresser's decentralized structure, which calls for full autonomy—and separate organizations—for each division. So, Gardner-Denver decided it would not gain the benefits it expected, and scotched the merger.

However, Leece didn't drop his plans to add drilling-rig equipment to the Gardner-Denver line. He just decided his company would make the machines itself.

• **Big Ones First**—He gave top priority to the largest-sized equipment. The new draw-works weighs 70,000 lb.; the new compound, about 20,000. These first items are being advertised as the 2,100-hp. line, playing up the power required to operate them.

The decision to put out heavy machinery first stemmed partly from the trend in the oil industry: deeper wells call for tougher drilling equipment.

Partly, too, the decision was psychological and promotional. Says Leece, "If we show the industry we can do a better job than competitors with the largest equipment on the market, it will reduce the problem of selling the smaller-size packages."

• **Finding a Plant**—Gardner-Denver set up a staff of some 20 technicians and engineers to start designing major pieces of drilling equipment.

Through most of 1958, while the design staff was hard at work, the company scoured the oil country for a plant suitable for making the new products.

Finally, late last year, Gardner-Denver came to terms with Mayhew Machine Co., Inc., and Mayhew Supply Co., Inc., Dallas companies that make and distribute light geophysical drilling equipment. Gardner-Denver acquired them by an exchange of stock, at a figure reported to be in excess of $5-million.

Though the Mayhew line of equipment, operating on 300 hp. to 400 hp., is much lighter than the line Gardner-Denver was aiming for, it was already in the field. From the merger Gardner-Denver got knowhow and customer acceptance in the drilling industry—and a plant in which to build its products.

Since the merger Gardner-Denver has been expanding the Dallas plant for that purpose. Its new compressors for air drilling, intended for use in areas where scarcity of water makes mud flow drilling impractical, are being assembled there. And out of the Mayhew plant, over the next year or so, will come a steady flow of new drilling-rig components.

• **Gamble**—In taking on a host of big, well-established competitors in the oil-country field, Gardner-Denver is taking a big gamble. Some industry observers suspect that they'll have tough sledding.

Some doubt that the oil industry will ever regain its postwar boom status. Others point out that oil field equipment manufacturing, dominated by steel company subsidiaries that usually are in the oil field supply business as well, is far from uncrowded and may be due for consolidation rather than expansion.

Bethlehem Supply Co., a division of Bethlehem Steel Corp., recently got out of the manufacturing end of oil supply and sold its inventories to Continental-Emsco. National Supply has closed its Toledo (Ohio) plant and will move most of its equipment manufacturing to a newer, more efficient plant in Gainsville, Tex.

Leece is well aware of all these problems. But, he thinks, Gardner-Denver has two big advantages. It is already known in the oil country for its mud pumps, which have given it "a fine reputation" and an established distribution setup. And, by starting from scratch with no existing tooling to adapt, it is in a position to come up with brand-new products embodying all the latest design and engineering ideas.

Initially, "sales reception has been good," according to Gardner-Denver sales Vice-Pres. George W. Gutekunst.

• **More Than One Bet**—Even if the oil-country venture doesn't pay off, it isn't the only string to Gardner-Denver's expansion bow. The company has been pushing research and development in all its lines. There was no cutback in these areas during the recession, though 1958 sales were over $9-million below the 1957 high. In fact, more engineers and salesmen were hired.

The mining industry, which now provides less than a fifth of the company's sales, may not be much of a growth industry. But for it and for the more promising construction field, Gardner-Denver has been developing self-propelled drilling rigs and larger and more efficient equipment.

Through its Keller Tool Div., a manufacturer of special industrial tools acquired in 1955, Gardner-Denver hopes to get into automation equipment. Keller has been coming up with such items as a cluster of drills for rapid drilling of automobile doors, and a tape-operated wire wrap machine that is being used by television and missile manufacturers in making wire connections. Keller's facilities have been expanded about 30% since the acquisition; industrial products now account for about a fourth of Gardner-Denver's sales revenue.

• **Overseas, Too**—And Leece has high hopes for Gardner-Denver's international operations. Foreign customers are expected to provide about a quarter of the company's sales growth over the next five years.

The international phase of Gardner-Denver's operation has been Leece's baby. It was he who set up the export division in 1945. Gardner-Denver International, S. A., now has 40 salesmen overseas and 25 employees in its New York office. And, like many other U. S. manufacturers, Gardner-Denver is leaning toward lower-cost foreign manufacturing instead of export. It has been expanding its production facilities in Johannesburg, South Africa, and Rio de Janeiro, Brazil, and recently bought an interest in a plant in Stuttgart, Germany. **END**

Fast new Signode heavy-duty tool

Saves at least this much strapping every time it's used



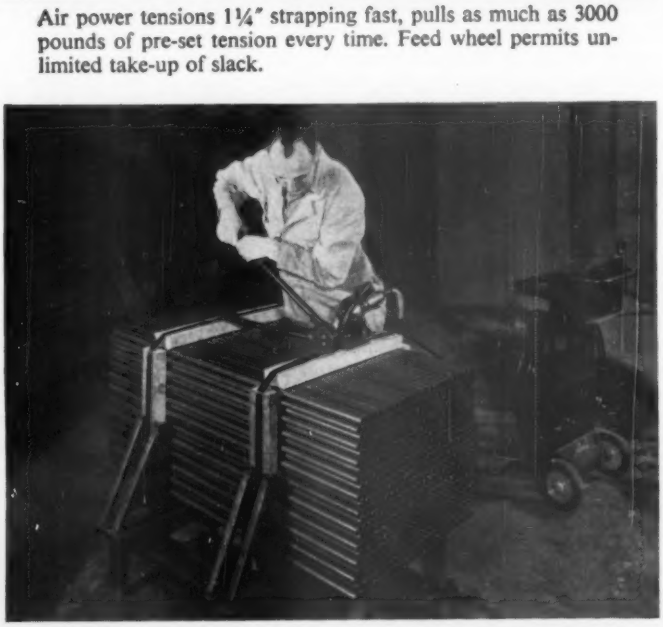


Air power tensions 1¼" strapping fast, pulls as much as 3000 pounds of pre-set tension every time. Feed wheel permits unlimited take-up of slack.

The FN-114 is the first air power feed wheel heavy-duty tensioning tool. It is fast and easy to use. In addition to saving time, it eliminates waste in the curl of strap which, until now, has been a necessary evil in applying 1¼-inch strapping with windlass type tools.

Additional savings come from the fact that the FN-114 takes strapping directly from the dispenser—takes out all the slack *before* the strapping is cut off by a quick stroke of the handle.

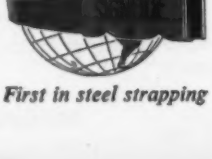
The FN-114—like other Signode heavy-duty tools—is available on an annual rental or single payment basis. Let us arrange a demonstration on your premises at your convenience. Just write or call. No obligation.



The powerful FN-114 holds the tension in the strapping while the operator applies the seal, using a Signode Model C tool. Signode heavy duty air-powered sealers are also available.



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• • •

Miami Transit Operator Turns Down Dade County Offer for His Bus Line

William D. Pawley (picture), Miami transit system operator, appears to have lost a bid to sell his bus lines to Dade County in exchange for tax-exempt bonds. The county government last week offered $7.8-million in revenue bonds for four Pawley-owned bus lines in order to set up a unified transportation system for the whole county. **Pawley feels the figure is about $400,000 too low, and he has called off the on-again, off-again negotiations.**



Pawley, a 62-year-old millionaire with large investments in Latin America, has long wanted to unload his bus lines, immerse himself more deeply in civic affairs. One of his pet projects is the proposed Inter-American Trade & Cultural Center, a sort of Latin American World's Fair that would be set up in Miami. Pawley served as ambassador to Peru and Brazil in the 1940s.

There's only a slim change the deal will be rekindled. Some officials think Pawley is playing cat-and-mouse with the county, but others feel Pawley is just tired of the haggling among county commissioners over his unusual proposition.

• • •

Small Loan Company's Alleged Juggling With Collateral Costs Heller $300,000

Walter E. Heller & Co., the big Chicago finance company (BW–Oct.25'58,p116), had red all over its face this week. The finance company revealed that it had lost some $300,000 over the last 15 years to a small loan company to which it lent money against what proved to be worthless collateral.

For that period, Heller had been doing business with Hearn Finance Co. of Moline, Ill. Recently Heller thought Hearn's figures looked too good to be true—loss and expense ratios were very low—and started investigations. Result: Frank J. Hearn and his wife, Blanche, were arrested on charges of obtaining money under false pretenses. The case will be submitted to a grand jury this month.

The Hearns allegedly lent money to local borrowers, obtaining funds from Heller by posting the borrowers' securities. When a borrower didn't repay a loan, the Hearns renewed it on the basis of his original security. Instead of canceling the old note, however, the Hearns showed it as still being in effect—initials or first names were slightly different. This made it appear that, in the case of a $500 loan, there were two $500 loans, **so that Heller advanced money more than once on the same loan to the same person, thinking each note was an additional security;** sometimes this happened five or six times.

Heller says this was the first time fraudulent paper has been offered as security by a small loan company, but it says it has taken steps to prevent a recurrence. Heller has experienced larger losses, but this one hurt doubly because it wasn't covered by insurance.

MORE NEWS ABOUT FINANCE ON:

• P. 114—Standard & Poor's profits in the bull market from advice-seeking investors.

• • •

Mutual Broadcasting Makes New Start After Settling With Its Creditors

Mutual Broadcasting System this week became the first member of Alexander L. Guterma's former financial empire to be rehabilitated. Mutual, which went into voluntary reorganization July 1, has managed to come out from under the federal court's umbrella in jig time, and even was able to gain business while it was in reorganization.

But in order to put Mutual back on the tracks, its 700 creditors had to take quite a beating.

• Suppliers accepted a 10¢-on-the-dollar settlement for the $2.3-million owed them.

• Talent, which was owed about $60,000, agreed to accept 50¢ on the dollar up to $600, and 10¢ for all amounts over that figure.

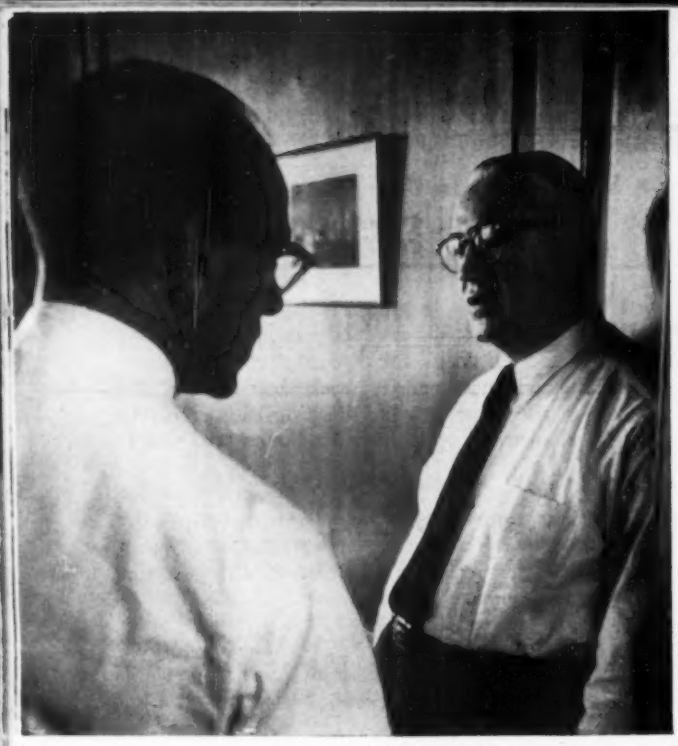
• Holders of a $1.3-million note agreed to accept a 10-year extension of the note, which was already in default.

For Mutual's new owners, Chester H. Ferguson and Albert G. McCarthy, who put up the cash for the settlement, future prospects are sanguine. Mutual was losing $60,000 a month when it went into reorganization. This sum has been reduced "substantially." And **Robert F. Hurleigh, MBS president, pointing to the network's 17 new affiliates, hopes to be in the black by the end of the year.**

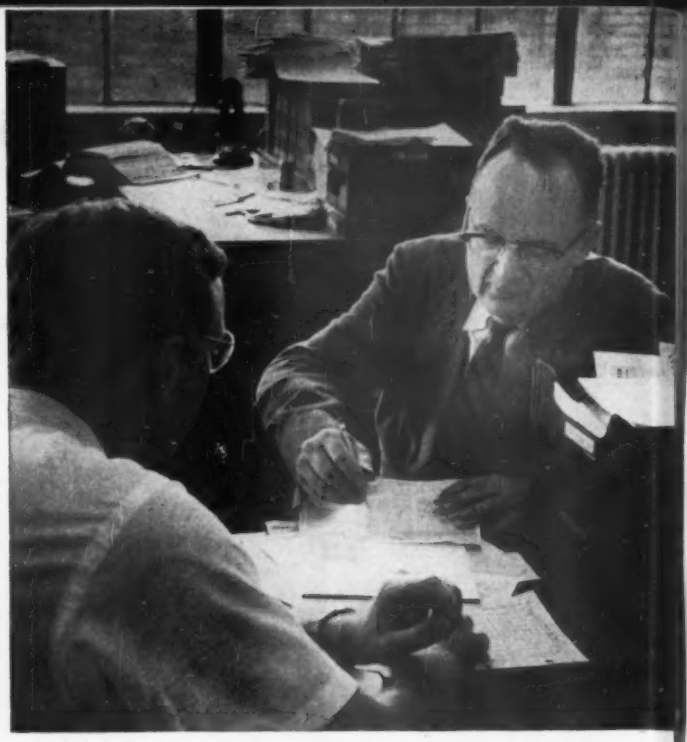
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ICC Backs Fast Write-Offs for Rails

The Interstate Commerce Commission is backing proposed Congressional legislation that would speed up tax **write-offs on railroad property.** Its stand is regarded as strengthening chances for the bill's passage. ICC Chmn. K. H. Tuggle said the bill to allow railroads to write off rolling stock in 15 years and other property in 20 years would "afford the industry substantial relief in an area where relief is needed." The present time limit for depreciation of railroad property is about 28 years.



1 Standard & Poor's Pres. Stahl (right) tips off Vice-Pres. Schellbach on Ford's improved earnings outlook.



2 S&P machine gets going; field man Burr Wilson (right) gives reports to analyst John Westergaard, who writes up evaluation.



3 Westergaard must "sell" Asst. Vice-Pres. Edward Donahue on Ford; Donahue tries to beat down arguments.



4 Donahue, Bernard T. Frevert, editor of S&P Outlook, and Schellbach, pick Ford in secret.

Picking Stocks for the Public

Standard & Poor's boosts own profits by steering profit-seeking investors through market maze.

Last Wednesday afternoon, in the drab offices of Standard & Poor's Corp. in an industrial area on Manhattan's lower West Side, the three men around the table below met in an informal conference—the next to last step in the chain of events pictured. Their purpose was to select from a group of three candidates—Ford Motor Co., J. P. Stevens, and Allis-Chalmers—a "stock for action" to be recommended in S&P's weekly stock service, the Outlook.

For all its informality, an air of extraordinary secrecy surrounded the session. The reason for the precautions was the knowledge that their recommendation—available to over 30,000 subscribers—was certain to have an impact on the market price for the stock they chose. Ford finally won out, on the basis of an "inside report" that the company is expected to earn $9.00 per share this year, compared to the $8.00 previously estimated.

• **Market Force**—In today's bull market in stocks, the opinions of these men and S&P Pres. Frederick A. Stahl (cover), as well as others selling stock advisory services, are becoming more and more important.

Mass acceptance of the printed advisory services today, as in the late 1920s, has made them a vigorous force in the market. The larger services—and even the smaller "tip sheets"—have a sharp impact on stock prices, particularly in the short run. It's not unusual for their recommendations to "bull" stocks 2 to 10 points. Moreover, in the case of S&P, the largest in overall volume, and of Moody's Investors Service, the services help provide a flow of financial information that the securities markets need to function.

S&P admits that its choices do have an impact on the market, but claims that this is primarily for the very short run, just a few days at the most. "If traded on our recommendations," says Vice-Pres. Lewis L. Schellbach—something S&P employees aren't allowed to do—"I'd be a billionaire by now."

"In any event," Pres. Stahl says, "we don't recommend for a quick turn. When we picked AT&T as a stock for action in the summer of 1958—on the basis of reports that the stock was going to split—a lot of people laughed at us. But we had the last laugh in December, when the split came off."

• **Flourishing**—The stock services ebb and flow in demand. In bear markets, investors usually shun them. But in bull markets, the services flourish, partly because the public is caught up in the whirl of stock buying, partly because investors look to the services' sometimes sophisticated analytical staffs to pick bargains in a market that's risen so high





5 Copy is locked in bag Thursday to go to Orange, Conn., printer; bag it not opened until Big Board closes Friday.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Debentures. The offer is made only by the Prospectus.

$125,000,000

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Twenty-One Year 5% Debentures Due 1980

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Interest payable each March 1 and September 1

Price 100% and Accrued Interest

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"The world's largest producer of crane scales"

that bargains are harder and harder to find.

So it is today. Persons in the industry estimate that the advisory services now have well over 300,000 subscribers, who this year will pay about $100-million for over 100 different services. These numbers are going up all the time.

This tremendous following forces brokers and traders to keep a sharp eye on what the services are saying. Last month, for example, after S&P nominated Carter Products, Inc., as a stock for action, its price shot up almost eight points before the excitement died down. This week, Ford moved up almost four points in heavy trading Monday, and was second on the active list for the day.

• **Competitive**—The continuing growth of the advisory services presents an interesting anomaly. For not only do the services face competition from each other, but also from the nation's thousands of brokerage offices. Any broker will gladly supply free the type of information the services sell. Most of the big brokerages also distribute without charge their own advisory letters.

The circulation of these letters can run into the hundreds of thousands, as compared to about 40,000 for Paul T. Babson's United Business Service, the biggest single advisory service in circulation. (Babson, incidentally, is S&P's board chairman and largest stockholder. UBS, however, is run independently of and in direct competition with S&P's Outlook, which, according to Schellbach, ranks No. 2 in circulation.)

But Stahl feels there's a big difference between a recommendation from a broker and advice from S&P or one of the other large services. The difference, he says, is impartiality. "We have nothing to sell but information and advice. A lot of people," he adds, "mistrust brokerage recommendations."

Not all Wall Street professionals concede the quality of S&P's investment advice. One critical broker sneers at all the big services, claiming that their very size makes impossible for them to recommend real bargains. "If S&P ever picked a closely-held special situation," he adds, "they would send it through the roof."

• **Multiple Service**—S&P's activities as an investment adviser are but a part of its stable of services for both institutional and individual investors. It publishes a host of factual statistical services. It compiles the most comprehensive stock price index, the S&P "500." It also has advisory letters covering bonds and railroad securities, a portfolio management service that's one of the largest in the business, and, as a sideline, a management consulting subsidiary that will do anything from lo-



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TAKE COMMAND! Control every vehicle with split-second 2-way radio contact. Save minutes, miles and money on every call, every day.

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If you use earthmoving or construction machinery in your operations . . . for mining, quarry, logging, heavy construction or industrial work . . . there's a Euclid model that fits the job. Simple but rugged construction, combined with advanced engineering for the heaviest service, means that "Eucs" stay on the job longer and require less time out for repairs. It's one of the many reasons why owners all over the world depend on Euclid equipment to get more work done and bring a better return on investment.

Take this Model TC-12 Twin-Power Crawler, for example. It's powered by two big diesel engines, with a total of 425 net h. p., and separate Torqmatic Drives for each track. There's no master clutch . . . change from one speed range to another is made under full power. Fast, easy operation and independent track drives make this big tractor, the world's most powerful, light on its feet and unequalled in its productive capacity.

Functional years-ahead design of the TC-12 results in less down time for servicing and repairs. Unitized assembly of major components cuts maintenance hours and costs. Both drive sprockets can be removed and replaced in about a third of the time required for a competitive big crawler . . . final drives in just a fourth of the time . . . and other service operations with comparable savings of man-hours and money.

Have the Euclid dealer in your area give you facts and figures on the most complete line of heavy earthmoving equipment in the industry . . . self-powered scrapers, rear and bottom dump haulers, crawler tractors, and special units for off highway hauling of coal, logs and other materials. Any way you figure it, you'll find "Eucs" are your best investment.

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cating a new plant to marketing a new product.

S&P is also one of the three organizations that assign quality ratings to bond issues—the other two are Moody's, and Fitch Investors Service (BW—Jul.21 '56,p109). These ratings largely determine whether or not an issue is eligible for purchase by banks and insurance companies. Since this can be decisive in determining the success of an issue, S&P's favor is avidly courted by corporations and municipalities wishing to sell bonds. Often, this means inside information on company doings.

• **Basis for Growth**—But S&P has grown big chiefly because of its emphasis on services to individual investors—primarily its two printed advisory services, the Outlook and Poors Investment Advisory Survey, plus its portfolio management service, known as Planned Investments. Stahl notes that while S&P has almost doubled its gross income in the last five years, the largest part of this growth has come from individual sales.

At present, about 45% of S&P's gross revenues comes from sales to institutions, 55% from sales to individuals. However, about three-fourths of all new sales are to individuals, and Stahl expects this trend to continue.

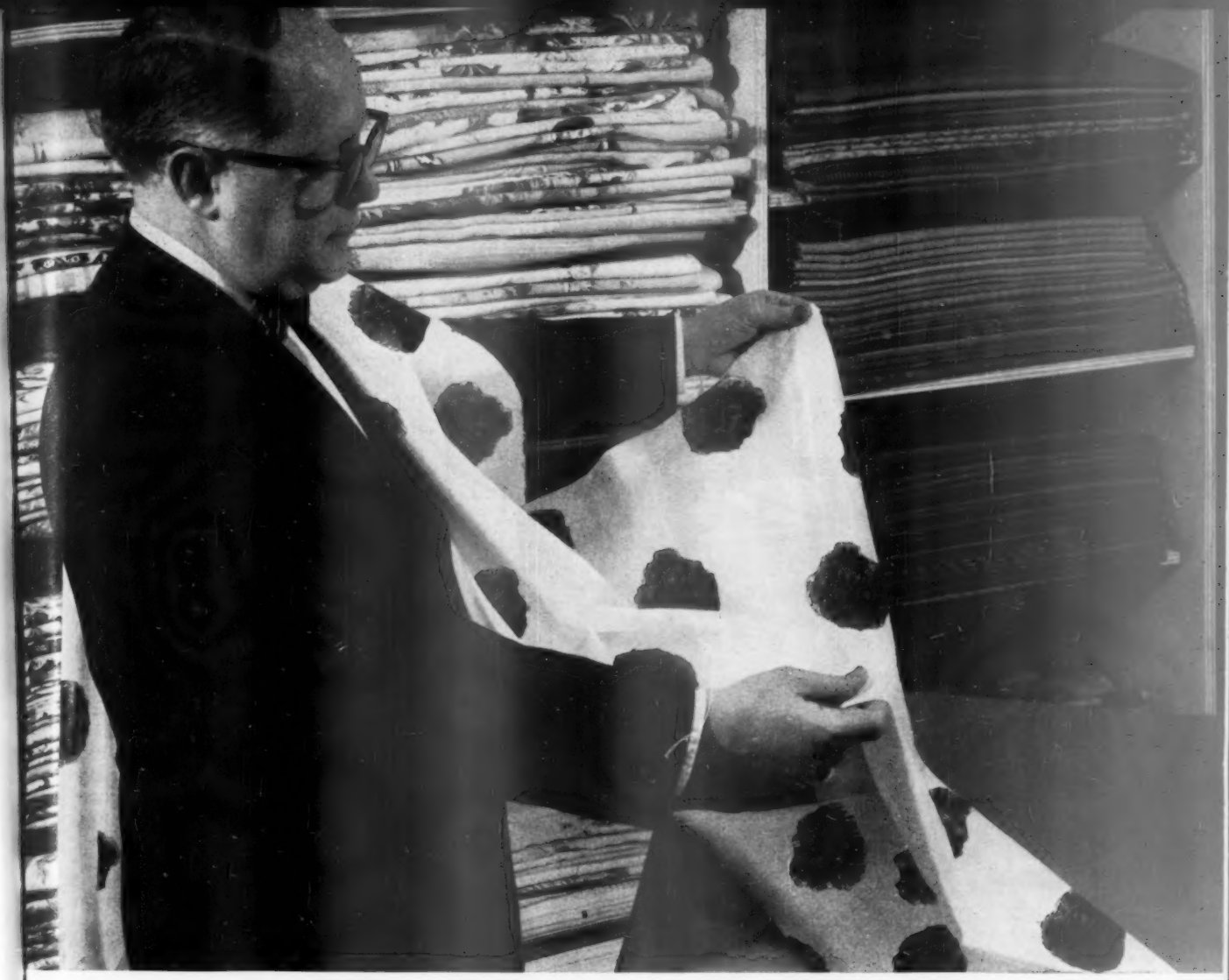
S&P's last fiscal year, ended June 30, was typical in this respect. Revenues were $10.8-million, up 11% from the previous year. Stahl says "the increase in institutional volume was only moderate." But an unusually favorable market climate for sale of services to individuals—chiefly rising stock prices—boosted such sales to record heights.

I. Road to Eminence

This emphasis on advisory services for individual investors has not always been true of S&P. In 1860, when founder Henry Varnum Poor first published his History of the Railroads and Canals of the U. S., his main motivation was to provide basic financial information on railroad securities—information which for the most part was completely unavailable.

But while Poor's focused on providing financial data (absorbing a forerunner of Moody's Investors Service in 1919), others pioneered the business of selling advice on stocks.

In 1906, a young employee of the private banking firm of Laidlaw & Co., Luther Lee Blake, grasped the sales potential for a service providing accurate financial information on leading corporations in capsule form. With the backing of his employer, James Lees Laidlaw, he founded Standard Statistics Bureau. From extremely modest beginnings, Standard Statistics expanded rapidly. Blake seized the bull market of the 1920s as an opportunity to broaden



Coal sets pattern for low-cost steam

Fabric finisher burns coal for economy and availability

Modernity is the keynote of the new plant of Carlisle Finishing Co., a division of Cone Mills Corporation, Carlisle, S. C. Advanced planning and up-to-date techniques are evident throughout the company's entire operation. The power plant, too, reflects this thinking . . . *coal* is used to generate the steam required for heating and processing. Chosen for its economy and availability, coal is burned and handled automatically by the latest equipment for peak efficiency. Also, the interior of this plant—designed by the consulting firm of J. E. Sirrine Co., Greenville, S. C.—has been decorated in cheerful colors to match the cleanliness of operation.

Consult an engineering firm

If you are remodeling or building new heating or power facilities, it will pay you to consult a qualified engineering firm. Such concerns—familiar with the latest in fuel costs and equipment—can effect great savings for you in the efficiency and economy of coal.

Coal is lowest cost fuel

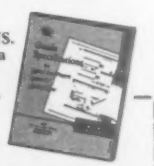
Today, *when the annual cost of fuel often equals the original cost of the boilers,* you should know that bituminous coal is the lowest cost fuel in most industrial areas. And modern coal-burning equipment gives you 15% to 50% *more* steam per dollar, while automatic operation trims labor costs and eliminates smoke problems. What's more, tremendous coal reserves and mechanized mining procedures assure you a constantly plentiful supply of coal at stable prices.

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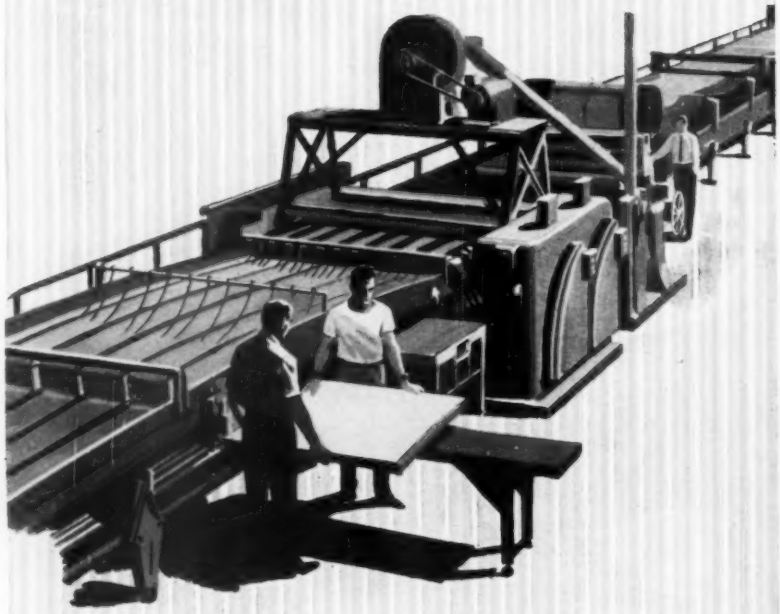
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• **One Out of Two**—The Great Depression was a period of severe trial for the advisory services. Poor's was forced into bankruptcy—giving Paul Babson, cousin to Roger W., "sage of Wellesley Hills," an opportunity to acquire a majority stock interest. Despite an intensive campaign of direct-mail selling, Babson was not able to put the company back into the black, however.

Consequently, in 1941, Poor's merged with Standard Statistics, with Babson becoming the largest stockholder in S&P, holding over 25%. As one old-timer describes the merger, "Neither company was making a dollar; so they decided to merge and see if they could make a buck between them."

II. Mass Merchandiser

As Babson sees it, his greatest contribution to S&P has been a complete reform in its selling methods, which today are heavily oriented to mass merchandising via direct mail. The Outlook and Poor's IAS, which together are S&P's biggest money makers today, are sold almost exclusively by this method. "The only way to get off one of our mailing lists," says Vice-Pres. Schellbach, who is in charge of printed advisory services, "is to die, and sometimes even that doesn't help. We work our lists until they're pretty tired."

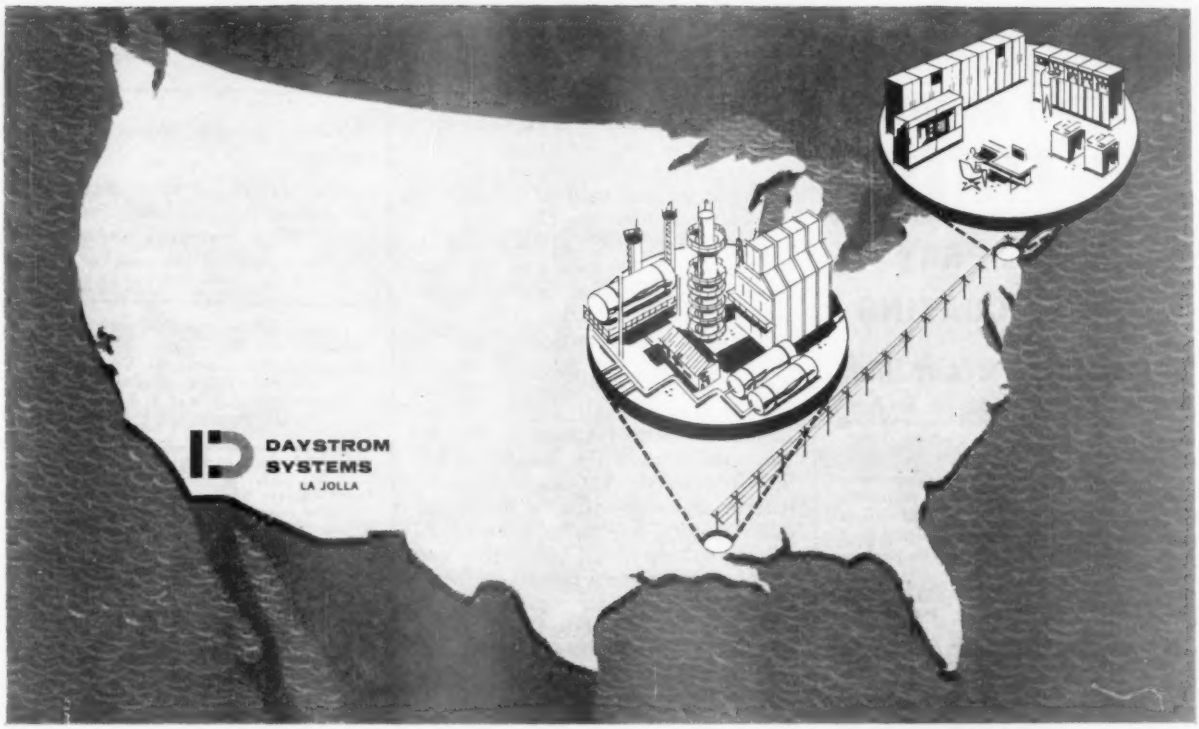
According to Pres. Stahl, S&P's promotional expenses run over $1-million each year; average annual mailings, he adds, run over 2-million pieces.

This marketing philosophy geared to mass merchandising has made the industry what it is today. Most of the other services have patterned their selling tactics after S&P, pumping literature through the mails at a hectic clip.

• **Fast Grower**—Next to its highly profitable printed advisory services, S&P's biggest money maker has been its Planned Investments portfolio management service. This department, which brings in about $2.5-million of S&P's gross income, has grown most rapidly since World War II.

Investment counselors are notoriously close-mouthed about the total value of the assets they administer, but S&P estimates that with "over $3-billion" in its care, it is one of the largest non-bank portfolio managers.

S&P manages accounts covering the whole range of the investment spectrum, from banks, insurance companies, and pension funds to individuals. But here, too, S&P has been concentrating on individual sales. Its efforts apparently have been fruitful, for in the last few months, according to one S&P officer, new business has been flooding in so fast that it has been difficult to process it adequately. Partly for this



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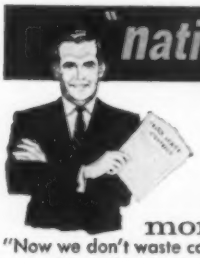
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reason, S&P recently raised the minimum size of an account it's willing to accept to $100,000 from $75,000.

Kenneth A. Barnes, the S&P vice-president who runs Planned Investments, figures this will do more than help in administering his department. "We want to keep out speculators who are only interested in making a quick killing in the bull market," he says.

• **Recession Strategy**—This long-term approach to investing, which in practice has meant heavy emphasis on common stocks, is one of S&P's greatest strengths. How effective it has been can be seen from the way S&P handled its accounts during the 1957 market decline and the subsequent recovery.

"We just sat still in 1957," says Barnes. "We were convinced that the long-term trend of the market was still up. We simply battened down the hatches and rode it out." Barnes admits his men had to do some hand holding to keep clients from selling out.

When the market turned up in the spring of 1958, S&P claims to have been one of the first to spot the new trend. Its Outlook turned aggressively bullish, and it has been bullish ever since. Stahl says this was anything but a piece of good luck. He notes that reports from S&P's nationwide network of field analysts, who are constantly visiting corporations to get financial information, had indicated that an upturn was in the making.

• **Scoreboard**—Though S&P has a remarkable record in the last few years, there's no assurance, of course, that its record in the future will be as good. The business of trying to second-guess the stock market is as much of an art as a science, and all its practitioners make mistakes from time to time.

In 1929, to take an example, while Standard Statistics was visibly nervous about the market, it did remark, just 30 years ago this week, that "the market is again signalizing undiminished confidence in sustained prosperity. . . . Technical indications do not yet point to a final reversal of trend."

Stahl thinks his sources of information are so well developed today that this kind of error couldn't happen again. He points with pride, for example, to S&P's practice of holding "business forums" with leading companies. At these meetings, industrial leaders—Charles Kellstadt of Sears, Roebuck, M. J. Rathbone of Standard Oil Co. (N. J.), and C. R. Smith of American Airlines are recent examples—discuss their companies' prospects, off the record, with S&P officials and leading financial analysts. Stahl says these meetings are primarily a device to improve S&P's standing with the financial community, but nevertheless, he adds, they are important sources of information. **END**

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THE TREND

The Price of Government Intervention

Within a few days, the national steel strike will be eight weeks old. Its toll on the economy will reach a disturbingly high 20-million man-days of lost production and pay. Its impact will begin to be felt, harder and deeper, in other industries.

A national emergency is not yet involved. Government and private estimates place a crisis at least a month away. More companies and their employees will suffer before then. Public resentment of the strike will rise. Yet, no emergency—as defined by law—will exist.

The strike and the growing concern over it pose a serious problem that the steel industry and union must recognize. Their inability to resolve differences without hurting the public could lead to restrictions on free collective bargaining.

Free collective bargaining is the bulwark of industrial relations in the American way of life. Employers and unions, in rare unanimity, agree that bargaining without government interference is the soundest way of setting wages and work conditions. Strikes or lockouts, although economically wasteful, are accepted as part of the cost.

The policy of the Administration is to keep hands off of collective bargaining. Its position is—as it should be—that employers and unions must be allowed a wide latitude for settling issues in dispute, and a right to resort to the economic pressure of a strike or lockout if peaceful talks fail.

The big strikes of 1946 led to the passage of the Taft-Hartley Act, which created machinery for federal intervention in "national emergency" disputes. Probably only the fact that Congress and the public have been preoccupied with labor reform legislation —which doesn't touch on bargaining—has kept down demands on Capitol Hill for a further regulation of management-labor rights in basic industries.

But there are doubts already about the wisdom of allowing industrywide strikes to continue to the national emergency point. A number of possible answers to the questions and doubts are being suggested on Capitol Hill. One would give steel and other basic industries a quasi-utility status, would impose government regulations on bargaining and strikes. Another would bar industrywide bargaining.

Still another demands an end to the exemption of unions from anti-trust actions, even though in the current steel dispute there is no evidence of a greater preponderance of economic power on the union's side than on management's.

Others suggest (as sponsors of the Taft-Hartley Act did in early debate in 1947) that the President submit to Congress, at a special session if necessary, any dispute in basic industry that would have a substantial impact on the economy—regardless of whether it might create a national emergency.

Any new legislation in the field of collective bargaining would be unfortunate. The best interests of all are served when parties bargain with a serious resolution to settle their differences, not when they abdicate to the government their rights to set terms of work and wages.

Now is the time for steel management and labor to do what they can—belatedly—to lessen the growing public uneasiness about the soundness of the government's hands-off bargaining policy. It is to be hoped that they will negotiate in good faith toward a quick and voluntary settlement, not admit themselves incapable of a negotiated agreement.

The stake is, quite possibly, the future of collective bargaining without tighter restrictions.

Taking the Initiative

The history-making drama inherent in the forthcoming exchanges between Pres. Eisenhower and Premier Khrushchev began to unfold last week.

Eisenhower's tour of Western Europe unquestionably has proved a triumph. He played to applauding crowds in Bonn, London, and Paris. In talks with Chancellor Adenauer, Prime Minister Macmillan, and Pres. de Gaulle, he smoothed over differences among the Allies. More important, he made it clear that the Allies have a leader who can state the West's position articulately in the forthcoming discussions with Khrushchev.

Our Allies see all this as a turning point. The U. S. is finally ready to deal with Moscow on terms that Moscow presumably would understand—in the arena of "personalized diplomacy." In Western Europe, it seems, personalized diplomacy—friendly, informal talks mixed with formal public appearances—has produced good results. Eisenhower's presence on the spot was much more useful in creating Allied unity than any number of communications through regular channels.

The big burden, however, lies ahead when Eisenhower sees Khrushchev. He will then be grappling with the basic problems in East-West relations—Berlin, arms controls, Communist trouble-making (in Asia as well as in Europe)—that have led to a feeling of deep concern in the Western alliance.

The West obviously is gambling a great deal on the President's patience, skill, and cautious flexibility in talking with a man as well-informed and versatile in argument as Khrushchev is.

But—as the record stands so far—Eisenhower is measuring up to the task.

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